



**LAWRENCE COUNTY JOINT VOCATIONAL
SCHOOL DISTRICT
LAWRENCE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District) as of and for the year ended June 30, 1999. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lawrence County Joint Vocational School District, Lawrence County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 1999, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the School District taken as a whole. The accompanying schedule of federal awards, receipts and 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 27, 1999

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$287,182	\$270,918	\$847	\$174,789
Cash and Cash Equivalents with Fiscal Agents	0	0	181	0
Receivables:				
Property Taxes	1,100,483	0	0	265,310
Accounts	726	0	0	0
Intergovernmental	6,756	121,465	0	0
Due from Other Funds	0	0	0	0
Interfund	47,000	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	9,457	0	0	0
Prepaid Items	11,746	1,779	0	0
Restricted Assets:				
Cash and Cash Equivalents	68,023	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$1,531,373	\$394,162	\$1,028	\$440,099

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$149,227	\$15,237	\$0	\$0	\$898,200
0	0	0	0	181
0	0	0	0	1,365,793
19,959	0	0	0	20,685
112,815	0	0	0	241,036
465	0			465
54,000	0	0	0	101,000
12,553	0	0	0	12,553
708	0	0	0	10,165
1,334	0	0	0	14,859
0	0	0	0	68,023
74,038	0	8,772,889	0	8,846,927
0	0	0	847	847
0	0	0	375,505	375,505
\$425,099	\$15,237	\$8,772,889	\$376,352	\$11,956,239

(Continued)

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$23,549	\$7,923	\$0	\$15,391
Accrued Wages and Benefits Payable	245,461	14,226	0	0
Compensated Absences Payable	14,404	0	0	0
Due to Other Funds	0	0	0	0
Interfund Payable	0	74,000	0	0
Intergovernmental Payable	9,324	1,006	0	0
Deferred Revenue	1,004,209	0	0	248,402
Due to Students	0	0	0	0
Matured Interest Payable	0	0	181	0
Notes Payable	0	0	0	105,478
Accrued Interest Payable	0	0	0	615
Total Liabilities	1,296,947	97,155	181	369,886
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	34,387	16,529	0	0
Reserved for Inventory	9,457	0	0	0
Reserved for Property Taxes	96,274	0	0	16,908
Reserved for Budget Stabilization	58,092	0	0	0
Reserved for Capital Acquisition	9,931	0	0	0
Designated	7,986	0	0	0
Unreserved, Undesignated	18,299	280,478	847	53,305
Total Fund Equity and Other Credits	234,426	297,007	847	70,213
Total Liabilities, Fund Equity and Other Credits	\$1,531,373	\$394,162	\$1,028	\$440,099

The notes to the general purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$22,135	\$0	\$0	\$0	\$68,998
47,906	0	0	0	307,593
81,920	0	0	376,352	472,676
465	0	0	0	465
27,000	0	0	0	101,000
12,627	0	0	0	22,957
1,100	0	0	0	1,253,711
0	15,237	0	0	15,237
0	0	0	0	181
0	0	0	0	105,478
0	0	0	0	615
<u>193,153</u>	<u>15,237</u>	<u>0</u>	<u>376,352</u>	<u>2,348,911</u>
0	0	8,772,889	0	8,772,889
109,424	0	0	0	109,424
122,522	0	0	0	122,522
0	0	0	0	50,916
0	0	0	0	9,457
0	0	0	0	113,182
0	0	0	0	58,092
0	0	0	0	9,931
0	0	0	0	7,986
0	0	0	0	352,929
<u>231,946</u>	<u>0</u>	<u>8,772,889</u>	<u>0</u>	<u>9,607,328</u>
<u>\$425,099</u>	<u>\$15,237</u>	<u>\$8,772,889</u>	<u>\$376,352</u>	<u>\$11,956,239</u>

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property Taxes	\$1,091,995	\$0	\$0	\$212,496	\$1,304,491
Intergovernmental	2,461,590	1,020,685	0	25,229	3,507,504
Interest	53,019	0	0	0	53,019
Tuition and Fees	45,302	0	0	0	45,302
Customer Services	13,938	0	0	0	13,938
Miscellaneous	23,299	42,443	0	0	65,742
Total Revenues	3,689,143	1,063,128	0	237,725	4,989,996
Expenditures:					
Current:					
Instruction					
Regular	8,837	0	0	0	8,837
Special	0	8,114	0	0	8,114
Vocational	2,243,448	137,305	0	75,923	2,456,676
Support Services					
Pupils	204,100	81,028	0	0	285,128
Instructional Staff	56,106	44,788	0	0	100,894
Board of Education	21,036	0	0	7,295	28,331
Administration	512,518	113,416	0	3,189	629,123
Fiscal	220,880	1,436	110	34	222,460
Operation and Maintenance of Plant	388,872	0	0	22,583	411,455
Pupil Transportation	800	0	0	1,200	2,000
Central	12,458	47,031	0	0	59,489
Non-Instructional Services	1,403	604,768	0	0	606,171
Extracurricular Activities	26,895	0	0	0	26,895
Capital Outlay	0	0	0	45,857	45,857
Debt Service					
Principal Retirement	0	0	90,000	0	90,000
Interest and Fiscal Charges	0	0	3,263	9,998	13,261
Total Expenditures	3,697,353	1,037,886	93,373	166,079	4,994,691
Excess of Revenues Over (Under) Expenditures	(8,210)	25,242	(93,373)	71,646	(4,695)
Other Financing Sources (Uses):					
Operating Transfers In	5,243	85,454	0	0	90,697
Operating Transfers Out	(55,832)	(34,219)	0	0	(90,051)
Total Other Financing Sources (Uses)	(50,589)	51,235	0	0	646
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(58,799)	76,477	(93,373)	71,646	(4,049)
Fund Balances (Deficit) at Beginning of Year	304,324	220,530	94,220	(1,433)	617,641
Decrease in Reserve for Inventory	(11,099)	0	0	0	(11,099)
Fund Balances at End of Year	\$234,426	\$297,007	\$847	\$70,213	\$602,493

The notes to the general purpose financial statements are an integral part of this statement.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,023,007	\$1,023,007	\$0	\$0	\$0	\$0
Intergovernmental	2,460,581	2,460,581	0	974,471	974,471	0
Interest	59,074	59,074	0	0	0	0
Tuition and Fees	45,302	45,302	0	0	0	0
Customer Services	13,938	13,938	0	0	0	0
Miscellaneous	22,573	22,573	0	42,443	42,443	0
Total Revenues	3,624,475	3,624,475	0	1,016,914	1,016,914	0
Expenditures:						
Current:						
Instruction						
Regular	9,137	9,137	0	0	0	0
Special	0	0	0	8,114	8,114	0
Vocational	2,263,054	2,263,054	0	137,569	137,569	0
Support Services						
Pupils	202,024	202,024	0	84,974	84,974	0
Instructional Staff	55,941	55,941	0	47,288	47,288	0
Board of Education	23,239	23,239	0	0	0	0
Administration	509,346	509,346	0	112,973	112,973	0
Fiscal	219,797	219,797	0	1,436	1,436	0
Operation and Maintenance of Plant	405,444	405,444	0	0	0	0
Pupil Transportation	800	800	0	0	0	0
Central	16,610	16,610	0	54,553	54,553	0
Non-Instructional Services	1,403	1,403	0	614,771	614,771	0
Extracurricular Activities	26,895	26,895	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	3,733,690	3,733,690	0	1,061,678	1,061,678	0
Excess of Revenues Over (Under) Expenditures	(109,215)	(109,215)	0	(44,764)	(44,764)	0
Other Financing Sources (Uses):						
Operating Transfers In	5,243	5,243	0	85,454	85,454	0
Advances In	22,154	22,154	0	84,000	84,000	0
Operating Transfers Out	(55,832)	(55,832)	0	(34,219)	(34,219)	0
Advances Out	(47,000)	(47,000)	0	(35,154)	(35,154)	0
Total Other Financing Sources (Uses)	(75,435)	(75,435)	0	100,081	100,081	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(184,650)	(184,650)	0	55,317	55,317	0
Fund Balances at Beginning of Year	416,640	416,640	0	185,582	185,582	0
Prior Year Encumbrances Appropriated	66,601	66,601	0	6,755	6,755	0
Fund Balances at End of Year	\$298,591	\$298,591	\$0	\$247,654	\$247,654	\$0

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$201,733	\$201,733	\$0	\$1,224,740	\$1,224,740	\$0
0	0	0	102,828	102,828	0	3,537,880	3,537,880	0
0	0	0	0	0	0	59,074	59,074	0
0	0	0	0	0	0	45,302	45,302	0
0	0	0	0	0	0	13,938	13,938	0
0	0	0	0	0	0	65,016	65,016	0
0	0	0	304,561	304,561	0	4,945,950	4,945,950	0
0	0	0	0	0	0	9,137	9,137	0
0	0	0	0	0	0	8,114	8,114	0
0	0	0	75,923	75,923	0	2,476,546	2,476,546	0
0	0	0	0	0	0	286,998	286,998	0
0	0	0	0	0	0	103,229	103,229	0
0	0	0	7,295	7,295	0	30,534	30,534	0
0	0	0	3,189	3,189	0	625,508	625,508	0
110	110	0	34	34	0	221,377	221,377	0
0	0	0	22,583	22,583	0	428,027	428,027	0
0	0	0	1,200	1,200	0	2,000	2,000	0
0	0	0	0	0	0	71,163	71,163	0
0	0	0	0	0	0	616,174	616,174	0
0	0	0	0	0	0	26,895	26,895	0
0	0	0	46,436	46,436	0	46,436	46,436	0
195,477	195,477	0	0	0	0	195,477	195,477	0
13,877	13,877	0	0	0	0	13,877	13,877	0
209,464	209,464	0	156,660	156,660	0	5,161,492	5,161,492	0
(209,464)	(209,464)	0	147,901	147,901	0	(215,542)	(215,542)	0
116,091	116,091	0	0	0	0	206,788	206,788	0
0	0	0	0	0	0	106,154	106,154	0
0	0	0	(116,091)	(116,091)	0	(206,142)	(206,142)	0
0	0	0	0	0	0	(82,154)	(82,154)	0
116,091	116,091	0	(116,091)	(116,091)	0	24,646	24,646	0
(93,373)	(93,373)	0	31,810	31,810	0	(190,896)	(190,896)	0
94,220	94,220	0	126,904	126,904	0	823,346	823,346	0
0	0	0	684	684	0	74,040	74,040	0
\$847	\$847	\$0	\$159,398	\$159,398	\$0	\$706,490	\$706,490	\$0

The notes to the general purpose financial statements are an integral part of this statement.

**COMBINED STATEMENT OF REVENUES
EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise
Operating Revenues:	
Sales	\$120,754
Tuition	839,827
Other	<u>43,852</u>
Total Operating Revenues	<u>1,004,433</u>
Operating Expenses:	
Salaries	1,098,774
Fringe Benefits	219,670
Purchased Services	78,266
Materials and Supplies	219,785
Cost of Sales	84,221
Depreciation	<u>18,560</u>
Total Operating Expenses	<u>1,719,276</u>
Operating Loss	<u>(714,843)</u>
Non-Operating Revenues:	
Federal Donated Commodities	5,658
Federal and State Subsidies	<u>667,693</u>
Total Non-Operating Revenues	<u>673,351</u>
Net Loss Before Operating Transfers	(41,492)
Operating Transfers In	29,176
Operating Transfers Out	<u>(29,822)</u>
Net Loss	(42,138)
Retained Earnings at Beginning of Year	<u>164,660</u>
Retained Earnings at End of Year	122,522
Contributed Capital at Beginning and End of Year	<u>109,424</u>
Total Fund Equity at End of Year	<u><u>\$231,946</u></u>

The notes to the general purpose financial statements are an integral part of this statement.

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$120,289	\$120,289	\$0
Tuition	896,780	896,780	0
Other Revenues	43,852	43,852	0
Operating Grants	621,009	621,009	0
Total Revenues	1,681,930	1,681,930	0
Expenses			
Salaries	1,037,143	1,037,143	0
Fringe Benefits	218,941	218,941	0
Purchased Services	81,156	81,156	0
Materials and Supplies	321,895	321,895	0
Capital Outlay	13,587	13,587	0
Total Operating Expenses	1,672,722	1,672,722	0
Excess of Revenues Over Expenses Before Transfers and Advances	9,208	9,208	0
Operating Transfers In	29,176	29,176	0
Advances In	27,000	27,000	0
Operating Transfers Out	(29,822)	(29,822)	0
Advances Out	(51,000)	(51,000)	0
Excess of Revenues Under Expenses after Transfers and Advances	(15,438)	(15,438)	0
Fund Equity at Beginning of Year	107,742	107,742	0
Prior Year Encumbrances Appropriated	22,594	22,594	0
Fund Equity at End of Year	\$114,898	\$114,898	\$0

The notes to the general purpose financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$1,017,069
Cash Payments to Suppliers for Goods and Services	(369,721)
Cash Payments for Employee Services and Benefits	(1,255,085)
Other Operating Revenue	43,853
Net Cash Used for Operating Activities	(563,884)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	621,009
Operating Transfers In	29,176
Advances In	27,000
Operating Transfers Out	(29,822)
Advances Out	(51,000)
Net Cash Provided by Noncapital Financing Activities	596,363
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(13,587)
Net Increase in Cash and Cash Equivalents	18,892
Cash and Cash Equivalents at Beginning of Year	130,335
Cash and Cash Equivalents at End of Year	\$149,227
	(Continued)

**COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (Continued)**

	Enterprise
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$714,843)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	18,560
Donated Commodities Used During Year	5,658
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	56,953
Increase in Due from Other Funds	(465)
Increase in Inventory Held for Resale	(150)
Decrease in Materials and Supplies Inventory	39
Decrease in Prepaid Items	522
Increase in Accounts Payable	6,215
Increase in Accrued Wages and Benefits Payable	46,633
Increase in Compensated Absences Payable	13,330
Increase in Due to Other Funds	465
Increase in Intergovernmental Payable	3,199
Total Adjustments	150,959
Net Cash Used for Operating Activities	(\$563,884)

The notes to the general purpose financial statements are an integral part of this statement.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

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, 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 33 non-certificated employees, 96 certificated full-time teaching personnel and 12 administrative employees who provide services to 563 students and other community members. The School District currently operates one instructional building.

The reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Lawrence County Joint Vocational School District, this includes general operations, food service and student related activities of the 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 is associated with two organizations, one of which is defined as a jointly governed organization and one as a group purchasing pool. These organizations are the South Central Ohio Computer Association and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lawrence County Joint Vocational 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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The following are the School District's governmental fund types:

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

Special Revenue Funds - Special Revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The Debt Service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Type:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's only fiduciary funds are Agency Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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 are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year-end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, tuition, grants and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

C. Budgetary Data

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

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

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. Prior to year-end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. The School District utilizes financial institutions to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents".

During fiscal year 1999, 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. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$53,019, which includes \$30,931 from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the proprietary fund are depreciated using the straight-line method over an estimated useful life of 20 to 50 years for buildings and improvements, 3 to 6 years for textbooks, 5 to 20 years for furniture and equipment, and 10 years for vehicles. Depreciation of furniture and equipment, the only proprietary fund type fixed asset classification, is computed using the straight-line method over an estimated useful life of 5 to 20 years.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems

Title III - Vocational

Pell Grants

Carl Perkins Grant

Career Development

Adult Basic Education

Teacher Development

Industrial Training

Title I

Reimbursable Grants

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 70 percent of governmental fund revenue during the 1999 fiscal year.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from/to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. General Obligation Bonds are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

M. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization and capital acquisition. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of textbooks and instructional materials, budget stabilization and for the construction or acquisition of capital improvements. See Note 21 for the calculations of the year-end restricted asset balances and the corresponding fund balance reserves.

O. Designation of Fund Balance

The School District had a fund balance designation on the balance sheet for additional money set aside by the Board of Education above the reserve for textbooks required by State statute.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

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. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - PRIOR PERIOD RESTATEMENT

Amount to be Provided from General Government Resources was eliminated in the Permanent Improvement Capital Project Fund by \$210,956. This caused a restatement of Fund Balance at June 30, 1998 from \$209,523 to (\$1,433).

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Excess of Revenues and Other Financing Sources Over (Under)
Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$58,799)	\$76,477	(\$93,373)	\$71,646
Revenue Accruals	(64,668)	(46,214)	0	66,836
Expenditure Accruals	32,023	1,251	0	14,812
Prepays	(11,746)	(1,779)	0	0
Debt Service Principal	0	0	(105,477)	0
Interest and Fiscal Charges	0	0	(10,614)	9,998
Revenue Allocation from Debt Service to Capital Projects Fund	0	0	116,091	(116,091)
Advances In	22,154	84,000	0	0
Advances Out	(47,000)	(35,154)	0	0
Encumbrances	(56,614)	(23,264)	0	(15,391)
Budget Basis	<u>(\$184,650)</u>	<u>\$55,317</u>	<u>(\$93,373)</u>	<u>\$31,810</u>

Net Loss/Excess of Revenues Under Expenses After
Transfers and Advances - Proprietary Fund Type

	Enterprise
GAAP Basis	(\$42,138)
Revenue Accruals	4,146
Expense Accruals	77,244
Prepaid Items	(1,334)
Capital Outlay	(13,587)
Depreciation Expense	18,560
Advances In	27,000
Advances Out	(51,000)
Encumbrances	(34,329)
Budget Basis	<u>(\$15,438)</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$966,404 and the bank balance was \$992,152. Of the bank balance, \$100,000 was covered by federal depository insurance and \$892,152 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the School District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years.

Real and public utility property taxes are payable annually and 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, unless extended. Under certain circumstances, State statute permits earlier or later payment dates to be established. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and the rates determined in the preceding year.

Tangible personal property used in business (except public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility taxes are payable on the same dates as real property taxes described previously.

The assessed values upon which the fiscal year 1999 taxes were collected are:

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$361,678,460	78%	\$478,972,720	83%
Public Utility Personal	75,518,180	10	76,398,270	8
Tangible Personal Property	50,829,000	12	50,349,100	9
Total	\$488,025,640	100%	\$605,720,090	100%
Tax rate per \$1,000 of assessed valuation	\$2.90		\$2.90	

The School District receives property taxes from Lawrence County. The 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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$113,182 and is recognized as revenue, \$96,274 was available to the General Fund and \$16,908 was available to the Capital Projects Fund.

NOTE 7 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$347,946
Less Accumulated Depreciation	<u>(273,908)</u>
Net Fixed Assets	<u><u>\$74,038</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$91,800	\$0	\$0	\$91,800
Buildings and Improvements	6,411,933	0	0	6,411,933
Furniture, Fixtures and Equipment	1,903,114	180,769	105,581	1,978,302
Vehicles	188,812	5,500	0	194,312
Textbooks	96,542	0	0	96,542
Total General Fixed Assets	\$8,692,201	\$186,269	\$105,581	\$8,772,889

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, accounts (rent and tuition), 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. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
General Fund:	
Project Leap	\$6,756
Special Revenue Funds:	
Career Development Grant	6,187
Full Service Grant	3,000
Carl Perkins Grant	49,754
Job Search Grant	5,304
Workforce Development Grant	43,020
One Stop Grant	14,200
Total Special Revenue Funds	121,465
Enterprise Fund:	
Adult Education Programs Reimbursement	112,815
Total Intergovernmental Receivables	\$241,036

NOTE 9 - RISK MANAGEMENT

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. During fiscal year 1999, the School District contracted with Nationwide Insurance Company for property insurance and boiler and machinery coverage. Professional and general liability is protected by the Wausau Insurance Company with a \$2,000,000 single occurrence limit and no deductible. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District 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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$39,038, \$71,473 and \$62,682, respectively; 100 percent has been contributed for fiscal years 1999, 1998 and 1997.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$126,073, \$422,086 and \$406,636, respectively; 100 percent has been contributed for fiscal years 1999, 1998 and 1997.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$168,098 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$33,783.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit, to a maximum of fifty days.

B. Health Insurance

The School District provides employee health insurance benefits. The School District pays 60 percent of the cost of a family premium up to a maximum of \$331 per month. The School District pays 100 percent of the cost of a single premium. The School District provides life insurance and accidental death and dismemberment insurance to classified and administrative employees through Connecticut General Life Insurance Company, in the amount of \$25,000.

Health insurance is provided by Medical Benefits Company. Premiums for this coverage are \$549.45 for family coverage and \$211.58 for single coverage. The School District pays 60% of the family coverage premium and 100% of the single coverage premium. Vision insurance is provided by Vision Service Plan. Premiums for this coverage are \$7.31 for both single and family coverage. The School District pays 100% of the premium.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
General Obligation Bonds 1975 7.25%	\$90,000	\$0	\$90,000	\$0
Compensated Absences	321,660	67,148	12,456	376,352
Total	<u>\$411,660</u>	<u>\$67,148</u>	<u>\$102,456</u>	<u>\$376,352</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid.

The general obligation bonds were originally issued in the amount of \$2,975,000 for the construction of a school building. The School District's overall legal debt margin was \$54,427,085 with an unvoted debt margin of \$605,720 at June 30, 1999.

NOTE 14 - NOTES PAYABLE

A summary of the note transactions for the fiscal year ended June 30, 1999, follows:

		Outstanding 6/30/98	Issued	Retired	Outstanding 6/30/99
Capital Projects Fund: Tax Anticipation Note	5.75%	\$210,955	\$0	\$105,477	\$105,478

The note will be paid from tax revenues during fiscal year 2000.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 15 - INTERFUND TRANSACTIONS

Due from other funds and due to other funds, and interfund receivables and interfund payables at June 30, 1999 consist of the following individual balances:

	Due From	Due To	Interfund Receivable	Interfund Payable
General Fund	\$0	\$0	\$47,000	\$0
Special Revenue Funds				
Career Development	0	0	0	20,000
Post-Secondary Vocational Education	0	0	0	6,000
Industrial Training	0	0	0	25,000
Vocational Education	0	0	0	13,000
Federal Grants	0	0	0	10,000
Total Special Revenue Funds	0	0	0	74,000
Enterprise Funds				
Food Service	465	0	0	14,000
Adult Education	0	465	54,000	13,000
Total Enterprise Funds	465	465	54,000	27,000
Total All Funds	\$465	\$465	\$101,000	\$101,000

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for operations of food service sales and adult education tuition. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds as of and for the fiscal year ended June 30, 1999.

	Food Service	Adult Education	Total Enterprise
Operating Revenues	\$120,754	\$883,679	\$1,004,433
Depreciation	9,762	8,798	18,560
Operating Loss	(60,935)	(653,908)	(714,843)
Donated Commodities	5,658	0	5,658
Operating Grants	39,322	628,371	667,693
Net Operating Transfers	200	(846)	(646)
Net Income (Loss)	(15,755)	(26,383)	(42,138)
Net Working Capital	(8,524)	248,352	239,828
Fixed Asset Additions	0	15,387	15,387
Total Assets	35,938	389,161	425,099
Long Term Compensated Absences	323	81,597	81,920
Total Equity	10,951	220,995	231,946
Encumbrances at June 30, 1999	720	33,609	34,329

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 17 - JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The School District paid SCOCA \$2,296 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

NOTE 18 - GROUP PURCHASING POOL

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

NOTE 19 - SCHOOL FUNDING COURT DECISION

On March 24, 1997 the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,710,419 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 20 - YEAR 2000

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

The Lawrence County Joint Vocational School District has completed an inventory of computer systems and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

In the continuing effort to assess all computer equipment, other areas may be found (clock systems, fire alarm systems, vocational equipment, etc.) and, if so, changes will be made in those systems. The School District anticipates that all costs will be handled through departmental or building appropriations.

The School District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio and Lawrence County distribute a substantial sum of money to the School District in the form of "Foundation" and property tax payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State and the County are responsible for remediating these systems.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School does business will be Year 2000 ready.

NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The School District also receives resources from the State of Ohio which are restricted by state law for the purchase of school buses. The balance of this allocations is also reflected as a reservation of Fund Balance in the General Fund at fiscal year end.

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

	Textbook s	Capital Acquisition	Budget Stabilizatio n	Total
Set-aside Cash Balance, June 30, 1998	\$0	\$0	\$29,806	\$29,806
Current Year Set-aside Requirement	56,573	56,573	28,286	141,432
Current Year Offsets	0	0	0	0
Qualifying Disbursements	(124,822)	(46,642)	0	(171,464)
Total	<u>(\$68,249)</u>	<u>\$9,931</u>	<u>\$58,092</u>	<u>(\$226)</u>
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$9,931</u>	<u>\$58,092</u>	<u>\$68,023</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 22 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

The School District is not party to legal proceedings.

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**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$5,907	\$0	\$5,658
National School Breakfast Program	O5PU-99	10.553	7,325	0	7,325	0
National School Lunch Program	O4PU-99	10.555	31,805	0	31,805	0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>39,130</u>	<u>5,907</u>	<u>39,130</u>	<u>5,658</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Vocational Education Basic Grants to State	20C2-99	84.048	357,361	0	335,292	0
Innovative Education Program Strategies	C2S1-99	84.298	1,724	0	1,176	0
<i>Direct from Federal Government:</i>						
Federal Pell Grant Program	N/A	84.063	434,620	0	431,628	0
Total U.S. Department of Education			<u>793,705</u>	<u>0</u>	<u>768,096</u>	<u>0</u>
<u>CORPORATION FOR NATIONAL SERVICE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America	SVS1-99	94.004	14,995	0	2,017	0
Total Corporation for National Service			<u>14,995</u>	<u>0</u>	<u>2,017</u>	<u>0</u>
Total Federal Awards, Receipts and Expenditures			<u>\$847,830</u>	<u>\$5,907</u>	<u>\$809,243</u>	<u>\$5,658</u>

The accompanying notes to the schedule of federal awards, receipts and expenditures is an integral part of this statement.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS, RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards, receipts and expenditures summarizes activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the School District had food commodities valued at \$955 in inventory.



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OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

Lawrence County Joint Vocational School
Lawrence County
11627 State Route 243
Chesapeake, Ohio 45619

To The Board of Education:

We have audited the financial statements of the Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 27, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated December 27, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated December 27, 1999.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

JIM PETRO
Auditor of State

December 27, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Athens Mall, Suite B
Athens, Ohio 45701

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

Lawrence County Joint Vocational School
Lawrence County
11627 State Route 243
Chesapeake, Ohio 45619

To the Board of Education:

Compliance

We have audited the compliance of Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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 on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

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

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

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



JIM PETRO
Auditor of State

December 27, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133, SECTION .505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Pell Grant - CFDA #84.063 Vocational Education Basic Grants to State (Carl Perkins) CFDA #84.048
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

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Facsimile 614-466-4490

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
FEBRUARY 8, 2000**