



**Auditor of State  
Betty Montgomery**



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

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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 the Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2003 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Schedule of Federal Awards, Receipts and Expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 19, 2003

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**Lawrence County Joint Vocational School District**

Lawrence County, Ohio

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,603,542	\$637,303	\$847	\$374,922
Receivables:				
Taxes	1,267,728	0	0	219,409
Accounts	23,125	1,246	0	0
Intergovernmental	2,224	127,304	0	0
Interfund	3,750	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	7,571	0	0	0
Prepaid Items	17,305	5,730	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$2,925,245</u>	<u>\$771,583</u>	<u>\$847</u>	<u>\$594,331</u>



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$171,655	\$16,329	\$0	\$0	\$2,804,598
0	0	0	0	1,487,137
64,043	0	0	0	88,414
142,125	0	0	0	271,653
50,000	0	0	0	53,750
1,520	0	0	0	1,520
627	0	0	0	8,198
6,284	0	0	0	29,319
227,416	0	9,116,992	0	9,344,408
0	0	0	847	847
0	0	0	888,910	888,910
<u>\$663,670</u>	<u>\$16,329</u>	<u>\$9,116,992</u>	<u>\$889,757</u>	<u>\$14,978,754</u>

(Continued)

**Lawrence County Joint Vocational School District**

Lawrence County, Ohio

Combined Balance Sheet

All Fund Types and Account Groups (Continued)

June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$21,077	\$37,580	\$0	\$4,939
Accrued Wages and Benefits Payable	244,794	21,537	0	0
Compensated Absences Payable	7,212	906	0	0
Interfund Payable	0	53,750	0	0
Intergovernmental Payable	17,575	6,146	0	0
Deferred Revenue	1,221,044	92,721	0	211,633
Due to Students	0	0	0	0
Capital Leases Payable	0	0	0	0
Notes Payable	0	0	0	0
<b>Total Liabilities</b>	<b>1,511,702</b>	<b>212,640</b>	<b>0</b>	<b>216,572</b>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	87,616	48,234	0	36,108
Reserved for Inventory	7,571	0	0	0
Reserved for Property Tax	46,684	0	0	7,776
Unreserved:				
Designated for Capital Maintenance	70,231	0	0	0
Designated for Textbooks	52,260	0	0	0
Undesignated	1,149,181	510,709	847	333,875
<b>Total Fund Equity and Other Credits</b>	<b>1,413,543</b>	<b>558,943</b>	<b>847</b>	<b>377,759</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$2,925,245</b>	<b>\$771,583</b>	<b>\$847</b>	<b>\$594,331</b>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$32,420	\$0	\$0	\$0	\$96,016
37,346	0	0	0	303,677
135,550	0	0	408,699	552,367
0	0	0	0	53,750
23,020	0	0	4,209	50,950
121,874	0	0	0	1,647,272
0	16,329	0	0	16,329
35,279	0	0	0	35,279
0	0	0	476,849	476,849
<u>385,489</u>	<u>16,329</u>	<u>0</u>	<u>889,757</u>	<u>3,232,489</u>
0	0	9,116,992	0	9,116,992
121,340	0	0	0	121,340
156,841	0	0	0	156,841
0	0	0	0	171,958
0	0	0	0	7,571
0	0	0	0	54,460
0	0	0	0	70,231
0	0	0	0	52,260
0	0	0	0	1,994,612
<u>278,181</u>	<u>0</u>	<u>9,116,992</u>	<u>0</u>	<u>11,746,265</u>
<u>\$663,670</u>	<u>\$16,329</u>	<u>\$9,116,992</u>	<u>\$889,757</u>	<u>\$14,978,754</u>

**Lawrence County Joint Vocational School District**  
Lawrence County, Ohio  
Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2003

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Property Taxes	\$1,203,713	\$0	\$0	\$209,509	\$1,413,222
Intergovernmental	2,976,185	1,296,130	0	66,681	4,338,996
Interest	115,492	0	0	0	115,492
Tuition and Fees	39,283	0	0	0	39,283
Customer Services	11,082	676,961	0	0	688,043
Extracurricular Activities	1,182	0	0	0	1,182
Miscellaneous	39,899	52,785	0	0	92,684
<b>Total Revenues</b>	<b>4,386,836</b>	<b>2,025,876</b>	<b>0</b>	<b>276,190</b>	<b>6,688,902</b>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	20,160	0	0	0	20,160
Vocational	2,145,722	229,560	0	0	2,375,282
Adult/Continuing	0	8,236	0	0	8,236
Support Services:					
Pupils	156,813	750,731	0	0	907,544
Instructional Staff	72,017	51,624	0	0	123,641
Board of Education	28,983	0	0	0	28,983
Administration	396,451	101,553	0	0	498,004
Fiscal	228,694	35,319	0	0	264,013
Operation and Maintenance of Plant	377,815	0	0	0	377,815
Central	773	46,767	0	0	47,540
Non-Instructional Services	0	807,907	0	0	807,907
Extracurricular	30,774	0	0	0	30,774
Capital Outlay	0	0	0	113,333	113,333
Debt Service:					
Principal Retirement	0	0	64,644	0	64,644
Interest and Fiscal Charges	0	0	29,365	0	29,365
<b>Total Expenditures</b>	<b>3,458,202</b>	<b>2,031,697</b>	<b>94,009</b>	<b>113,333</b>	<b>5,697,241</b>
Excess of Revenues Over (Under) Expenditures	928,634	(5,821)	(94,009)	162,857	991,661
<u>Other Financing Sources (Uses):</u>					
Sale of Fixed Assets	2,501	0	0	0	2,501
Operating Transfers - In	8,103	161,284	94,009	0	263,396
Operating Transfers - Out	(246,067)	(25,275)	0	(24,026)	(295,368)
<b>Total Other Financing Sources (Uses)</b>	<b>(235,463)</b>	<b>136,009</b>	<b>94,009</b>	<b>(24,026)</b>	<b>(29,471)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	693,171	130,188	0	138,831	962,190
Fund Balances (Deficit) at					
Beginning of Year - Restated Note 3	723,517	428,755	847	238,928	1,392,047
Decrease in Reserve for Inventory	(3,145)	0	0	0	(3,145)
<b>Fund Balances at End of Year</b>	<b>\$1,413,543</b>	<b>\$558,943</b>	<b>\$847</b>	<b>\$377,759</b>	<b>\$2,351,092</b>

See accompanying notes to the general purpose financial statements

**Lawrence County Joint Vocational School District**  
 Lawrence County, Ohio  
 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, 2003

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Property Taxes	\$1,179,325	\$1,179,325	\$0
Intergovernmental	2,976,185	2,976,185	0
Interest	110,904	110,904	0
Tuition and Fees	37,994	37,994	0
Customer Services	11,082	11,082	0
Miscellaneous	59,814	59,814	0
<b>Total Revenues</b>	<b>4,375,304</b>	<b>4,375,304</b>	<b>0</b>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	21,212	21,212	0
Vocational	2,204,543	2,204,543	0
Adult/Continuing	0	0	0
Support Services:			
Pupils	158,710	158,710	0
Instructional Staff	71,091	71,091	0
Board of Education	31,151	31,151	0
Administration	460,237	460,237	0
Fiscal	241,721	241,721	0
Operation and Maintenance of Plant	392,882	392,882	0
Central	304	304	0
Non-Instructional Services	0	0	0
Extracurricular Activities	30,829	30,829	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>3,612,680</b>	<b>3,612,680</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	762,624	762,624	0
<u>Other Financing Sources (Uses):</u>			
Sale of Fixed Assets	2,501	2,501	0
Operating Transfers - In	8,103	8,103	0
Advances - In	10,000	10,000	0
Operating Transfers - Out	(176,067)	(176,067)	0
Advances - Out	(3,750)	(3,750)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(159,213)</b>	<b>(159,213)</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	603,411	603,411	0
Fund Balances at Beginning of Year	742,727	742,727	0
Prior Year Encumbrances Appropriated	140,355	140,355	0
<b>Fund Balances at End of Year</b>	<b>\$1,486,493</b>	<b>\$1,486,493</b>	<b>\$0</b>

(Continued)

**Lawrence County Joint Vocational School District**  
 Lawrence County, Ohio  
 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, 2003  
 (Continued)

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$0	\$0	\$0
Intergovernmental	1,292,839	1,292,839	0
Interest	0	0	0
Tuition and Fees	0	0	0
Customer Services	676,961	676,961	0
Miscellaneous	32,122	32,122	0
<b>Total Revenues</b>	<b>2,001,922</b>	<b>2,001,922</b>	<b>0</b>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	0	0	0
Vocational	261,603	260,241	1,362
Adult/Continuing	8,230	8,230	0
Support Services:			
Pupils	748,776	748,776	0
Instructional Staff	62,154	62,154	0
Board of Education	0	0	0
Administration	103,599	103,599	0
Fiscal	36,094	36,094	0
Operation and Maintenance of Plant	0	0	0
Central	80,629	80,629	0
Non-Instructional Services	806,065	806,065	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>2,107,150</b>	<b>2,105,788</b>	<b>1,362</b>
Excess of Revenues Over (Under) Expenditures	(105,228)	(103,866)	1,362
<u>Other Financing Sources (Uses):</u>			
Sale of Fixed Assets	0	0	0
Operating Transfers - In	105,284	105,284	0
Advances - In	53,750	53,750	0
Operating Transfers - Out	(25,166)	(25,166)	0
Advances - Out	(10,000)	(10,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>123,868</b>	<b>123,868</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	18,640	20,002	1,362
Fund Balances at Beginning of Year - Restated See Note 3	490,894	490,894	0
Prior Year Encumbrances Appropriated	41,102	41,102	0
<b>Fund Balances at End of Year</b>	<b>\$550,636</b>	<b>\$551,998</b>	<b>\$1,362</b>

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$205,441	\$205,441	\$0
0	0	0	66,681	66,681	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	272,122	272,122	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	150,169	150,169	0
64,644	64,644	0	0	0	0
29,365	29,365	0	0	0	0
94,009	94,009	0	150,169	150,169	0
(94,009)	(94,009)	0	121,953	121,953	0
0	0	0	0	0	0
94,009	94,009	0	0	0	0
0	0	0	0	0	0
0	0	0	(24,026)	(24,026)	0
0	0	0	0	0	0
94,009	94,009	0	(24,026)	(24,026)	0
0	0	0	97,927	97,927	0
847	847	0	229,681	229,681	0
0	0	0	6,268	6,268	0
\$847	\$847	\$0	\$333,876	\$333,876	\$0

(Continued)

**Lawrence County Joint Vocational School District**

Lawrence County, Ohio

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, 2003

(Continued)

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$1,384,766	\$1,384,766	\$0
Intergovernmental	4,335,705	4,335,705	0
Interest	110,904	110,904	0
Tuition and Fees	37,994	37,994	0
Customer Services	688,043	688,043	0
Miscellaneous	91,936	91,936	0
<b>Total Revenues</b>	<b>6,649,348</b>	<b>6,649,348</b>	<b>0</b>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	21,212	21,212	0
Vocational	2,466,146	2,464,784	1,362
Adult/Continuing	8,230	8,230	0
Support Services:			
Pupils	907,486	907,486	0
Instructional Staff	133,245	133,245	0
Board of Education	31,151	31,151	0
Administration	563,836	563,836	0
Fiscal	277,815	277,815	0
Operation and Maintenance of Plant	392,882	392,882	0
Central	80,933	80,933	0
Non-Instructional Services	806,065	806,065	0
Extracurricular Activities	30,829	30,829	0
Capital Outlay	150,169	150,169	0
Debt Service:			
Principal Retirement	64,644	64,644	0
Interest and Fiscal Charges	29,365	29,365	0
<b>Total Expenditures</b>	<b>5,964,008</b>	<b>5,962,646</b>	<b>1,362</b>
Excess of Revenues Over (Under) Expenditures	685,340	686,702	1,362
<u>Other Financing Sources (Uses):</u>			
Sale of Fixed Assets	2,501	2,501	0
Operating Transfers - In	207,396	207,396	0
Advances - In	63,750	63,750	0
Operating Transfers - Out	(225,259)	(225,259)	0
Advances - Out	(13,750)	(13,750)	0
<b>Total Other Financing Sources (Uses)</b>	<b>34,638</b>	<b>34,638</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	719,978	721,340	1,362
Fund Balances at Beginning of Year	1,464,149	1,464,149	0
Prior Year Encumbrances Appropriated	187,725	187,725	0
<b>Fund Balances at End of Year</b>	<b>\$2,371,852</b>	<b>\$2,373,214</b>	<b>\$1,362</b>

See accompanying notes to the general purpose financial statements



## Lawrence County Joint Vocational School District

Lawrence County, Ohio  
Combined Statement of Revenues,  
Expenses and Changes in Fund Equity  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2003

	<u>Enterprise</u>
Revenues:	
Sales	\$135,738
Tuition	1,242,968
Charges for Services	<u>607,053</u>
Total Revenues	<u>1,985,759</u>
<u>Expenses:</u>	
Salaries and Wages	1,639,793
Fringe Benefits	427,036
Purchased Services	147,412
Materials and Supplies	461,318
Cost of Sales	99,841
Depreciation	<u>19,003</u>
Total Expenses	<u>2,794,403</u>
Operating Loss	<u>(808,644)</u>
<u>Non-Operating Revenues and Expenses:</u>	
Federal Donated Commodities	5,022
Operating Grants	818,034
Interest and Fiscal Charges	<u>(1,197)</u>
Total Non-Operating Revenues	<u>821,859</u>
Net Income Before Operating Transfers	13,215
Operating Transfers In	44,972
Operating Transfers Out	<u>(13,000)</u>
Net Income	45,187
Retained Earnings at Beginning of Year - Restated Note 3	<u>111,654</u>
Retained Earnings at End of Year	156,841
Contributed Capital at Beginning and End of Year	<u>121,340</u>
Total Fund Equity at End of Year	<u><u>\$278,181</u></u>

See accompanying notes to the general purpose financial statements

**Lawrence County Joint Vocational School District**  
Lawrence County, Ohio  
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, 2003

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$139,713	\$139,713	\$0
Tuition	1,242,968	1,242,968	0
Charges for Services	535,676	535,676	0
Operating Grants	851,222	851,222	0
<b>Total Revenues</b>	<b>2,769,579</b>	<b>2,769,579</b>	<b>0</b>
<u>Expenses:</u>			
Salaries	1,607,890	1,607,890	0
Fringe Benefits	406,778	406,778	0
Purchased Services	198,971	198,971	0
Materials and Supplies	596,046	596,046	0
Capital Outlay	58,630	58,630	0
<b>Total Operating Expenses</b>	<b>2,868,315</b>	<b>2,868,315</b>	<b>0</b>
Excess of Revenues Over Expenses	(98,736)	(98,736)	0
Operating Transfers In	17,863	17,863	0
Advances Out	(50,000)	(50,000)	0
Excess of Revenues Over Expenses, Advances and Transfers	(130,873)	(130,873)	0
Fund Equity (Deficit) at Beginning of Year	132,886	132,886	0
Prior Year Encumbrances Appropriated	84,026	84,026	0
<b>Fund Equity at End of Year</b>	<b>\$86,039</b>	<b>\$86,039</b>	<b>\$0</b>

See accompanying notes to the general purpose financial statements

**Lawrence County Joint Vocational School District**

Lawrence County, Ohio  
Combined Statement of Cash Flows  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2003

	<u>Enterprise</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,918,357
Cash Payments for Employee Services and Benefits	(2,014,668)
Cash Payments for Goods and Services	<u>(702,961)</u>
Net Cash Used for Operating Activities	<u>(799,272)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(58,630)
Principal Paid on Capital Lease	(5,243)
Interest Paid on Capital Lease	<u>(1,197)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(65,070)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	851,222
Advances Out	(50,000)
Operating Transfers In	<u>17,863</u>
Net Cash Provided by Noncapital Financing Activities	<u>819,085</u>
Net Decrease in Cash and Cash Equivalents	(45,257)
Cash and Cash Equivalents at Beginning of Year - Restated Note 3	<u>216,912</u>
Cash and Cash Equivalents at End of Year	<u><u>\$171,655</u></u>
<u>Reconciliation of Operating Loss to</u>	
<u>Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$808,644)
Depreciation Expense	19,003
Donated Commodities Used During Year	5,022
<u>Changes in Assets and Liabilities:</u>	
Increase in Accounts Receivable	(64,043)
Decrease in Materials and Supplies	99
Decrease in Inventory Held for Resale	1,813
Increase in Prepays	(471)
Increase in Intergovernmental Receivable	(7,325)
Decrease in Due from Other Funds	3,966
Increase in Accounts Payable	3,170
Increase in Accrued Salaries	8,026
Increase in Compensated Absences	30,470
Decrease in Due to Other Funds	(3,966)
Increase in Intergovernmental Payable	<u>13,608</u>
Net Cash Used for Operating Activities	<u><u>(\$799,272)</u></u>
<u>Non-Cash, Non-Capital Financing Activities:</u>	
The Food Service Enterprise Fund received \$5,022 in Federally Donated Commodities.	

See accompanying notes to the general purpose financial statements

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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### **NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District is staffed by 25 non-certificated employees, 125 certificated full-time teaching personnel and 9 administrative employees who provide services to 397 students and other community members. The School District currently operates one instructional building.

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

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

The School District participates in five organizations, two of which are defined as a jointly governed organization and three as insurance purchasing pools. The jointly governed organizations are the South Central Ohio Computer Association and Pilasco-Ross Special Education Regional Service Center, and the insurance purchasing pools are the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Lawrence County Insurance Purchasing Consortium. These organizations are presented in Notes 18 and 19 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.

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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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 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. Each category, in turn, is divided into separate "fund types." The School District uses the following fund types:

### *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.

# Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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## *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:

*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 fund types 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 fund types 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 type operating statements present increases (e.g., revenues) and decreases (e.g., 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. The full accrual basis of accounting is followed for the proprietary funds.

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

### **C. Budgetary Process**

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 legal level of budgetary control is at the fund level. Any modifications at this level may only be made by resolution of the Board of Education. The Treasurer has the authority to allocate appropriations at the function and object level without resolution by the Board.

#### *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 statement reflect the amounts in the amended certificate in effect at the time final appropriations were passed by the Board of Education. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue.

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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### *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. 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. 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 passed during the fiscal year, 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 plus encumbrances outstanding at year end.

### *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.

During fiscal year 2003, 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 2003 amounted to \$115,492, which includes \$49,279 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. 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.



## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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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, 2003, 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 funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not 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. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of seven to twenty years.

### **H. 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".

### **I. 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.

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

### **J. 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.

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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### **K. 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. Capital Improvement Notes 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.

### **L. Contributed Capital**

Contributed capital represented resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. Because the School District had not prepared financial statements in accordance with Generally Accepted Accounting Principles prior to 1994, the exact amount of contributed capital pertaining to prior years cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements.

Capital contributions received after fiscal year 2000 from other governments and private sources have been recorded as revenues and are reported as retained earnings. Contributions from other funds are still recorded as contributed capital.

### **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, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

### **N. 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 and capital maintenance required by State statute.

### **O. 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.

### **P. 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.

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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### **NOTE 3 – RESTATEMENT OF FUND EQUITY**

Fixed assets were understated and accumulated depreciation was overstated in the Enterprise Funds by \$5,335 and \$29,835, respectively. This adjustment increased July 1, 2002 fixed assets from \$414,125 to \$419,460 and decreased accumulated depreciation from \$302,028 to \$272,193.

Cash was understated in the Enterprise Funds and overstated in the Special Revenue Funds by \$68,375 due to numerous posting errors. These adjustments increased beginning July 1, 2002 cash balances in the Enterprise Funds from \$148,537 to \$216,912 and decreased cash in the Special Revenue Funds from \$602,046 to \$533,671.

These adjustments increased retained earnings and net income in the Enterprise Funds from \$8,109 to \$111,654 and from \$232,978 to \$336,523 as they were previously reported at June 30, 2002.

The General Fixed Assets Account Group was understated by \$9,325 in the previous year. The Account Group's balance at June 30, 2002, increased from \$9,074,944 to \$9,084,269.

### **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).

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2003

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

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

	General	Special Revenue	Capital Projects
GAAP Basis	\$693,171	\$130,188	\$138,831
Revenue Accruals	(8,126)	(25,629)	(4,068)
Expenditure Accruals	(48,991)	16,944	4,210
Beginning of Year:			
Prepaid Items	17,508	0	0
Unreported Cash	7,953	1,675	0
End of Year:			
Prepaid Items	(17,305)	(5,730)	0
Unreported Cash	(12,541)	0	0
Transfers	70,000	(55,891)	0
Advances	6,250	43,750	0
Encumbrances	(104,508)	(85,305)	(41,046)
Budget Basis	\$603,411	\$20,002	\$97,927

Net Income/Excess of Revenues Over Expenses, Transfers  
and Advances - Proprietary Fund Type

	Enterprise
GAAP Basis	\$45,187
Revenue Accruals	(39,236)
Expense Accruals	52,999
Capital Outlay	(58,630)
Beginning of Year:	
Prepaid Items	5,813
End of Year:	
Prepaid Items	(6,284)
Depreciation Expense	19,003
Transfers	(14,109)
Advances	(50,000)
Encumbrances	(85,616)
Budget Basis	(\$130,873)

# Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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## **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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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 (STAROhio);
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.

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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

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 \$2,804,598 and the bank balance was \$2,836,553. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,736,553 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, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

The School District receives property taxes from Lawrence and Gallia Counties. 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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$46,684 in the General Fund and \$7,776 in the Permanent Improvements Capital Projects Fund. The amount available as an advance at June 30, 2002, was \$22,296 in the General Fund and \$3,708 in the Permanent Improvements Capital Projects Fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$520,479,156	83%	\$532,646,268	84%
Public Utility Personal	56,437,499	9	57,069,243	9%
Tangible Personal Property	50,166,665	8	44,387,189	7%
Total	<u>\$627,083,320</u>	<u>100%</u>	<u>\$634,102,700</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$2.90		\$2.90	

### **NOTE 7 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$518,612
Less Accumulated Depreciation	<u>(291,196)</u>
Net fixed Assets	<u>\$227,416</u>

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at	Note 3 Restatement	Restated Balance at	Additions	Deletions	Balance at
	6/30/02		6/30/02			6/30/03
Land and Improvements	\$91,800	\$504,966	\$596,766	\$0	\$0	\$596,766
Buildings and Improvements	6,531,922	(668,458)	\$5,863,464	0	0	\$5,863,464
Furniture, Fixtures, and Equipment	2,109,751	172,817	\$2,282,568	91,708	58,985	\$2,315,291
Vehicles	178,650		\$178,650	0	0	\$178,650
Textbooks	162,821		\$162,821	0	0	\$162,821
Total General Fixed Assets	<u>\$9,074,944</u>	<u>\$9,325</u>	<u>\$9,084,269</u>	<u>\$91,708</u>	<u>\$58,985</u>	<u>\$9,116,992</u>

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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### **NOTE 8 - RECEIVABLES**

Receivables at June 30, 2003, 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:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Miscellaneous Reimbursements	<u>\$2,224</u>
Special Revenue Funds:	
Adult Workforce Service Center Grant	2,700
5th Quarter Pilot Program Grant	900
High Schools that Work Grant	3,750
Carl D. Perkins Career Technical Grant	39,234
Carl D. Perkins Adult Education Grant	12,384
Ohio Higher Skills	48,919
Miscellaneous Reimbursements	<u>19,417</u>
Total Special Revenue Funds	<u>127,304</u>
Enterprise Funds:	
Adult Education Entitlement	121,874
Miscellaneous Reimbursements	<u>20,251</u>
Total Enterprise Funds	<u>142,125</u>
Total All Funds	<u><u>\$271,653</u></u>

### **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 2003, the School District contracted with Nationwide Insurance professional and general liability insurance with a \$1,000,000 single occurrence limit and no deductible.

During fiscal year 2003, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 19)



## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	\$3,000,000
Products - Completed Operations Aggregate Limit	\$1,000,000
Personal and Advertising injury Limit - Each Offense	\$10,000
Fire Damage Limit - Any One Event	\$500,000
Excess Liability:	
Each Occurrence	\$2,000,000
Aggregate Limit	\$2,000,000
Employer's Liability:	
Each Occurrence	\$1,000,000
Disease - Each Employee	\$1,000,000
Disease - Policy Limit	\$1,000,000
Employee's Benefits Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	\$3,000,000

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. There has been no significant reduction in coverage from the prior year.

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). 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.

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool (Note 19). The intent of the consortium is to achieve the benefit of a reduced health insurance premium for the School District by virtue of its grouping and representation with other participants in the consortium. Each participant pays its health insurance premium to the insurance provider. Participation in the consortium is limited to school districts that can meet the criteria outlined in the consortium's operating articles. The firm of Cross and Associates provides administrative services to the consortium.

### **NOTE 10 - DEFINED BENEFIT PENSION PLANS**

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

The School District contributes to the School Employees Retirement System (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, 300 East Broad Street, Suite 100, Columbus Ohio 43215-3476.

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2003

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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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, 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, 2003, 2002, and 2001, were \$70,505, \$55,023, and \$38,853 respectively; 100 percent has been contributed for fiscal years 2003, 2002, and 2001.

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$338,781, \$365,074, and \$370,868, respectively; 100 percent has been contributed for fiscal years 2003, 2002, and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$5,673 made by the School District and \$5,133 made by the plan members.

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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### **NOTE 11 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certificated 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 funded on a pay-as-you-go basis.

All STRS Ohio 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 cost will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$36,428 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 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 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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay has been established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$64,184.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

### **NOTE 12 - EMPLOYEE BENEFITS**

#### **A. Compensated Absences**

The criteria for determining vacation and sick leave benefits 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 and any unit member who has taught for ten or more years in the Lawrence County Joint Vocational School and who has accrued unused sick leave credit of 200 days or more (which shall be deemed to include unused personal days) shall be paid as an attendance bonus an additional ten days above the maximum fifty days for a total of sixty days, and shall receive an extra bonus of one additional day for each year of teaching after the 10<sup>th</sup> year of teaching.

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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### **B. Health, Vision, Dental and Life Insurance**

The School District provides employee health insurance benefits through Medical Mutual of Ohio. Premiums for this coverage are \$1,104.30 for family coverage and \$447.53 for single coverage per month. The School District pays 70% of the family coverage premium and 100% of the single coverage premium. Vision and dental insurance are provided by Medical Benefits Mutual. Premiums for this coverage are \$32.30 single and \$99.53 family coverage per month. The School District pays 100% of the premium for single plans and 48% of the premium for family plans. The School District provides life insurance and accidental death and dismemberment insurance to all classified and administrative employees through Connecticut General Life Insurance Company, in the amount of \$35,000.

### **NOTE 13 CAPITAL LEASES - LESSEE DISCLOSURE**

During 2003, the School District entered into a capitalized lease agreement for radiographic equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments made from governmental funds have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program expenditures on a budgetary basis.

The items acquired by lease have been capitalized in the Adult Education Enterprise Fund in the amount of \$40,522, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was also recorded in the Adult Education Enterprise Fund. Principal payments in 2003 totaled \$5,243.

Future minimum lease payments through 2006 are as follows:

<u>Year</u>	<u>Amount</u>
2004	\$15,456
2005	15,456
2006	9,016
Total	39,928
Less: Amount Representing Interest	(4,649)
Present Value of Net Minimum Lease Payments	<u>\$35,279</u>

**Lawrence County Joint Vocational School District**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 6/30/02	Additions	Deletions	Principal Outstanding 6/30/03
General Long-Term Obligations:				
2000 Capital Improvement Note - 5.5%	\$411,362	\$0	\$23,801	\$387,561
2000 Capital Improvement Note - 6.0%	130,131	0	40,843	89,288
Total Notes Payable	<u>541,493</u>	<u>0</u>	<u>64,644</u>	<u>476,849</u>
Intergovernmental Payables	1,642	4,209	1,642	4,209
Compensated Absences	375,945	121,075	88,321	408,699
Total Long-Term Obligations	<u>919,080</u>	<u>125,284</u>	<u>154,607</u>	<u>889,757</u>
Enterprise Funds' Obligations:				
Capital Leases	<u>0</u>	<u>40,522</u>	<u>5,243</u>	<u>35,279</u>
Total Enterprise Funds' Long-Term Liabilities	<u>0</u>	<u>40,522</u>	<u>5,243</u>	<u>35,279</u>
Total Long-Term Obligations	<u><u>\$919,080</u></u>	<u><u>\$165,806</u></u>	<u><u>\$159,850</u></u>	<u><u>\$925,036</u></u>

Compensated absences and intergovernmental payables will be paid from the funds from which the employees' salaries are paid.

The capital improvement notes, which consist of a heating and cooling system note and a farm note, were originally issued in the amount of \$472,471 and \$204,950 respectively. Capital Improvement Notes reported in the General Long-Term Obligations Account Group will be paid from the Debt Service Funds and are backed by the full faith and credit of the Lawrence County Joint Vocational School District. The School District's overall legal debt margin was \$57,070,060 with an unvoted debt margin of \$634,103 at June 30, 2003. Principal and interest requirements to retire the notes outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$68,074	\$25,935	\$94,009
2005	72,323	21,684	94,007
2006	27,824	18,133	45,957
2007	29,375	16,581	45,956
2008	30,973	14,983	45,956
2009 - 2013	182,980	46,801	229,781
2014 - 2015	65,300	3,634	68,934
	<u><u>\$476,849</u></u>	<u><u>\$147,751</u></u>	<u><u>\$624,600</u></u>

**NOTE 15 – OPERATING LEASE**

The School District is obligated under a certain lease accounted for as an operating lease. An operating lease does not give rise to property rights or lease obligations, and, therefore, the results of the lease agreement is not reflected in the School District's account groups.

The following is a schedule by years of future minimum rental payments required under the operating lease that has initial or remaining noncancelable lease terms in excess of one year as of June 30, 2003:

**Lawrence County Joint Vocational School District**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

Fiscal Year Ending June 30,	Amounts
2004	14,400
2005	14,400
2006	4,800
Total Minimum Payments Required	<u>\$33,600</u>

**NOTE 16 - INTERFUND TRANSACTIONS**

Interfund receivables and interfund payables at June 30, 2003 consist of the following individual balances:

	Receivable	Payable
General Fund	\$3,750	\$0
Special Revenue Funds:		
Career Development	0	0
Miscellaneous State Grants	0	3,750
Miscellaneous Federal Grants	0	50,000
Total Special Revenue Funds	0	53,750
Enterprise Fund:		
Adult Education	50,000	0
Total Enterprise Funds	50,000	0
Total All Funds	<u>\$53,750</u>	<u>\$53,750</u>

**NOTE 17 - 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, 2003.

	Food Service	Adult Education	Total Enterprise Funds
Operating Revenues	\$136,889	\$1,848,870	\$1,985,759
Depreciation	\$6,925	\$12,078	\$19,003
Operating Loss	(\$72,676)	(\$735,968)	(\$808,644)
Donated Commodities	\$5,022	\$0	\$5,022
Operating Grants	\$61,980	\$756,054	\$818,034
Net Operating Transfers	\$14,800	\$17,172	\$31,972
Net Income	\$9,127	\$36,060	\$45,187
Additions to Fixed Assets	\$0	\$99,152	\$99,152
Net Working Capital	\$8,182	\$178,133	\$186,315
Total Assets	\$77,041	\$586,629	\$663,670
Long Term Compensated Absences	\$0	\$135,550	\$135,550
Total Equity	\$62,566	\$215,615	\$278,181
Encumbrances, June 30, 2002	\$724	\$84,892	\$85,616

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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### **NOTE 18- 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 \$36,806 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.

*Pilasco-Ross Special Education Regional Resource Center* - The Pilasco-Ross Special Education Regional Resource Center (SERRC) is a special education service center which represents Lawrence, Pike, Ross and Scioto Counties. The SERRC selects its own governing board, adopts its own budget and receives direct Federal and State grants for its operations. The jointly governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD, Shawnee State University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the board. The Lawrence County Joint Vocational School District's Superintendent is currently on the SERRC Board. The fiscal agent for the SEERC is Dawson-Bryant LSD. Financial information can be obtained by contacting the fiscal agent, Jim Tordiff, Treasurer, at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

### **NOTE 19 - INSURANCE PURCHASING POOLS**

*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.

*Lawrence County Schools Insurance Purchasing Consortium* - The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool. The consortium's business and affairs are conducted by a nine member Board of Directors consisting of the superintendents of member school districts and educational service centers.

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

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

### **NOTE 20 - SCHOOL FUNDING COURT DECISION**

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

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

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

### **NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The Lawrence County Joint Vocational 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 following cash basis information describes the changes in the year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by the State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of as of June 30, 2002	\$0	\$0
Current Year Set-Aside Requirement	82,950	82,950
Prior Year's Carry Over	(82,159)	0
Current Year Offsets	0	(205,441)
Qualifying Disbursements	<u>(138,616)</u>	<u>(56,260)</u>
Totals	<u>(\$137,825)</u>	<u>(\$178,751)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$137,825)</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2003	<u>\$0</u>	<u>\$0</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbook and capital improvement set-aside amounts below zero. The extra amounts in the textbooks set-aside may be used to reduce the set-aside requirements of future years.

### **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, 2003.



**Lawrence County Joint Vocational School District**

Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**B. Litigation**

The School District is not party to legal proceedings.

LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LAWRENCE COUNTY  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b><u>UNITED STATES DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster: Food Donation	N/A	10.550	\$	\$ 5,042	\$	\$ 5,042
National School Breakfast Program	O5-PU02/03	10.553	14,020		14,020	
National School Lunch Program	LL-P402/03	10.555	44,545		44,545	
Total Nutrition Cluster			58,565	5,042	58,565	5,042
<i>Direct from Federal Government:</i>						
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	N/A	10.226			5,584	
Total United States Department of Agriculture			58,565	5,042	64,149	5,042
<b><u>UNITED STATES DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Vocational Education - Basic Grants to States	20-A002, 20-C102/03, 20-C202/03	84.048	346,411		249,574	
Safe and Drug-Free Schools and Communities State Grants	DR-S103	84.186	783			
Eisenhower Professional Development State Grants	MS-S102	84.281	104		1,182	
Innovative Education Strategies Program	C2-S102/03	84.298	3,417		1,106	
Improving Teacher Quality State Grants	TR-S103	84.367	2,131			
<i>Direct from Federal Government:</i>						
Federal Pell Grant Program	N/A	84.063	816,749		815,867	
Rural Education	N/A	84.358	46,530		15,806	
Total United States Department of Education			1,216,125	0	1,083,535	0
<b><u>UNITED STATES DEPARTMENT OF LABOR</u></b>						
<i>Passed through Ohio Department of Job and Family Services:</i>						
WIA Adult Program	WF-HS03	17.258			20,918	
Total United States Department of Labor			0	0	20,918	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$ 1,274,690</b>	<b>\$ 5,042</b>	<b>\$ 1,168,602</b>	<b>\$ 5,042</b>

*The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.*

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B—CHILD NUTRITION CLUSTER**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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## Auditor of State Betty Montgomery

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

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 the Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 19, 2003.

#### 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 in 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 of 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 management of the School District in a separate letter dated December 19, 2003.

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This report is intended for the information and use of the audit committee, Board of Education, management 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 19, 2003



**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of the 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 its major federal program for the year ended June 30, 2003. The School District's major federal program is 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 its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 program for the year ended June 30, 2003.

### **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 School 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 of 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 internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, Board of Education, management, 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.



**Betty Montgomery**  
Auditor of State

December 19, 2003



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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2003**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Pell Grant – CFDA #84.063
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LAWRENCE COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2003  
(Continued)

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

**FINDING NUMBER 2003- 001**

**Material Noncompliance**

Ohio Rev. Code Section 5705.41 (B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

During testing throughout the fiscal year, several instances of expenditures exceeding appropriations were noted. The funds listed below were the material variances :

As of April 30, 2003 :

- 035 – Retirement Benefits - \$76,942 or 5% of total fund type appropriations
- 524 – Carl Perkins Fund - \$136,538 or 8.5% of total fund type appropriations
- 535 – Pell Grant - \$310,871 or 19.35% of total fund type appropriations
- 415 – Building Equipment - \$10,043 or 8% of total fund type appropriations

As of October 31, 2002 : 014 – Rotary Fund – \$21,127 or 104% of total fund type appropriations

We recommend the Treasurer monitor appropriations and expenditures periodically throughout the year. We further recommend the Treasurer deny payment requests exceeding appropriations. The Treasurer may request the Board approve increased levels by increasing appropriations and amending estimated resources, if necessary and available.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315 (b)  
FOR THE YEAR ENDED JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2002-001	A student activity policy was not maintained concerning fundraisers.	Yes	

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

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 §.315 (c)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	Treasurer intends to monitor appropriations and expenditures periodically throughout the year.	June 30, 2004	Joyce Blazer, Treasurer



**Auditor of State  
Betty Montgomery**

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**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  
JANUARY 20, 2004**