



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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, Ohio, as of June 30, 2005, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General and Adult Education Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

June 21, 2006

## Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

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

### **Financial Highlights**

**Key financial highlights for the fiscal year 2005 are as follows:**

- Net assets of governmental activities increased \$1,580,796.
- General revenues accounted for \$4,879,931 or 44% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$6,314,359 or 56% of total revenues of \$11,194,290.
- The School District had \$9,613,494 in expenses related to governmental activities; \$6,314,359 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$4,879,931 were adequate to provide for the rest of these programs.
- The School District has three major funds; the General Fund, the Adult Education Special Revenue Fund, and the Permanent Improvement Capital Projects Fund. The General Fund had \$6,134,873 in revenues and \$4,967,723 in expenditures. The General Fund's balance increased \$1,118,879. The Adult Education Fund had \$2,638,686 in revenues and \$2,745,222 in expenditures. The Adult Education Fund's balance decreased \$2,107. The Permanent Improvement Fund had \$516,995 in revenues and \$66,061 in expenditures. The Permanent Improvement Fund's balance increased \$403,575.

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

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

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

## Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

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

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

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for multiple financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Adult Education Special Revenue Fund, and Permanent Improvement Capital Projects Fund.

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



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

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2005*

*Unaudited*

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**The School District as a Whole**

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

Table 1  
Net Assets

	Governmental Activities	
	2005	Restated 2004
<b>Assets</b>		
Current and Other Assets	\$6,949,450	\$5,454,275
Capital Assets	3,017,988	2,814,926
Total Assets	<u>9,967,438</u>	<u>8,269,201</u>
<b>Liabilities</b>		
Long-term Liabilities	661,023	771,043
Other Liabilities	2,189,834	1,962,373
Total Liabilities	<u>2,850,857</u>	<u>2,733,416</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	2,703,877	2,383,669
Restricted	1,295,927	1,264,745
Unrestricted	3,116,777	1,887,371
Total Net Assets	<u>\$7,116,581</u>	<u>\$5,535,785</u>

Total assets increased \$1,698,237 due to an increase in cash and property taxes receivable. Total liabilities increased \$117,441, primarily due to increases in accrued wages and benefits due to a change in payroll procedures and in intergovernmental payable due to an amount payable to the Ohio Department of Education, as well as an increase in deferred revenue, offset by debt repayments and a reduction in compensated absences payable due to employees retiring during the fiscal year.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005, and comparisons to fiscal year 2004.

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

Table 2  
Changes in Net Assets

	Governmental Activities	
	2005	Restated 2004
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$2,019,590	\$2,150,722
Operating Grants, Contributions and Interest	4,268,504	3,673,962
Capital Grants and Contributions	26,265	56,105
Total Program Revenues	<u>6,314,359</u>	<u>5,880,789</u>
General Revenues		
Property Taxes	1,579,789	1,452,176
Grants and Entitlements	2,732,845	2,397,557
Gifts and Donations	0	7,040
Investment Earnings	221,442	154,137
Miscellaneous	345,855	136,785
Total General Revenues	<u>4,879,931</u>	<u>4,147,695</u>
Total Revenues	<u>11,194,290</u>	<u>10,028,484</u>
<b>Program Expenses</b>		
Instruction:		
Regular	83,512	15,219
Vocational	3,588,055	3,539,284
Adult/Continuing	1,971,799	1,968,760
Support Services:		
Pupils	68,260	94,232
Instructional Staff	167,021	131,385
Board of Education	86,987	24,641
Administration	1,397,709	1,220,685
Fiscal	371,073	359,607
Operation and Maintenance of Plant	667,330	629,311
Central	104,210	198,738
Operation of Non-Instructional Services:		
Food Service Operations	220,997	233,983
Community Services	846,057	802,309
Extracurricular Activities	21,378	24,982
Interest and Fiscal Charges	19,106	26,609
Total Expenses	<u>9,613,494</u>	<u>9,269,745</u>
Increase in Net Assets	<u>\$1,580,796</u>	<u>\$758,739</u>

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2005	2005	Restated 2004	Restated 2004
<b>Program Expenses</b>				
Instruction:				
Regular	\$83,512	(\$3,036)	\$15,219	\$15,219
Vocational	3,588,055	1,639,812	3,539,284	1,494,809
Adult/Continuing	1,971,799	51,428	1,968,760	201,895
Support Services:				
Pupils	68,260	68,260	94,232	88,547
Instructional Staff	167,021	30,120	131,385	76,100
Board of Education	86,987	74,096	24,641	24,641
Administration	1,397,709	505,281	1,220,685	542,082
Fiscal	371,073	348,763	359,607	331,277
Operation and Maintenance of Plant	667,330	538,210	629,311	561,110
Central	104,210	14,831	198,738	9,159
Operation of Non-Instructional Services:				
Food Service Operations	220,997	(13,113)	233,983	(2,229)
Community Services	846,057	3,999	802,309	(5,245)
Extracurricular Activities	21,378	21,378	24,982	24,982
Interest and Fiscal Charges	19,106	19,106	26,609	26,609
<b>Total</b>	<b>\$9,613,494</b>	<b>\$3,299,135</b>	<b>\$9,269,745</b>	<b>\$3,388,956</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 34% of instruction activities are supported through taxes and other general revenues. The increases in expenses in regular instruction are due to a new grant for fiscal year 2005, and the increases in administration are primarily due to new administrative positions in the adult education department. In addition, employees received a 3 percent increase to their salaries for fiscal year 2005.

**The School District Funds**

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,242,932 and expenditures of \$9,944,058.

*General Fund* – The General Fund is the primary operating fund of the School District. At the end of 2005, unreserved fund balance was \$3,049,673, while total fund balance was \$3,295,268. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

balance to total expenditures. Unreserved fund balance represents 61 percent to total General Fund expenditures, while total fund balance represents 66 percent of General Fund Expenditures. The fund balance of the School District's General Fund increased \$1,118,879 during the current fiscal year. The key factor in this increase is an increase in cash due to increased property tax, intergovernmental, and other revenue.

*Other Major Governmental Funds*

*Adult Education* – The fund balance of the Adult Education Fund at June 30, 2005 is \$15,587, a decrease of \$2,107 from the prior year. This decrease is due mainly to a decrease in cash and cash equivalents and an interfund payable to the Vocational Education Basic Grants to States Fund.

*Permanent Improvement Fund* – The fund balance of the Permanent Improvement Fund at June 30, 2005 is \$992,595, an increase of \$403,575. This increase is due mainly to an increase in cash due to a decrease in expenditures.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2005, the School District amended its General Fund budget, but not significantly.

For the General Fund, budget basis revenue was \$6,102,270, above original estimates of \$5,181,054. Of this \$921,216 difference, most was due to conservative estimates.

The School District's ending unobligated General Fund balance was \$3,359,927.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2005, the School District had \$3,017,988 invested in land, buildings, improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004.

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2005	2004
Land and Land Improvements	\$184,945	\$190,316
Buildings and Improvements	1,819,196	1,926,279
Furniture and Equipment	989,509	631,193
Vehicles	24,338	35,663
Construction in Progress	0	31,475
Totals	<u>\$3,017,988</u>	<u>\$2,814,926</u>

See Note 9 for more information on Capital Assets.

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

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***Debt***

At June 30, 2005, the School District had the following debt outstanding:

Table 5  
Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Capital Leases Payable	\$8,738	\$22,636
Energy Conservation Notes	305,373	408,621
Total	<u>\$314,111</u>	<u>\$431,257</u>

See Note 14 for more information on debt.

**Economic Factors**

As the preceding information shows, the School District depends on the State School Foundation Program. The Lawrence County Joint Vocational School District is in a low economic growth area, so dependence on local tax revenue must be minimized.

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

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

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

*Statement of Net Assets*

June 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,017,009
Accounts Receivable	24,476
Intergovernmental Receivable	211,410
Prepaid Items	23,043
Materials and Supplies Inventory	38,937
Property Taxes Receivable	1,634,575
Nondepreciable Capital Assets	109,260
Depreciable Capital Assets, Net	<u>2,908,728</u>
<i>Total Assets</i>	<u>9,967,438</u>
<b>Liabilities</b>	
Accounts Payable	105,143
Accrued Wages and Benefits Payable	413,950
Accrued Interest Payable	8,398
Vacation Benefits Payable	233,830
Deferred Revenue	1,332,965
Intergovernmental Payable	95,548
Long-Term Liabilities:	
Due within One Year	71,977
Due in More than One Year	<u>589,046</u>
<i>Total Liabilities</i>	<u>2,850,857</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,703,877
Restricted for:	
Other Purposes	269,608
Capital Projects	1,025,472
Debt Service	847
Unrestricted	<u>3,116,777</u>
<i>Total Net Assets</i>	<u>\$7,116,581</u>

See accompanying notes to the basic financial statements

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

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2005*

	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$83,512	\$0	\$86,548	\$0	\$3,036
Vocational	3,588,055	43,395	1,893,029	11,819	(1,639,812)
Adult/Continuing	1,971,799	1,277,891	642,480	0	(51,428)
Support Services:					
Pupils	68,260	0	0	0	(68,260)
Instructional Staff	167,021	0	136,901	0	(30,120)
Board of Education	86,987	0	12,891	0	(74,096)
Administration	1,397,709	457,337	435,091	0	(505,281)
Fiscal	371,073	7,009	12,674	2,627	(348,763)
Operation and Maintenance of Plant	667,330	52,567	64,734	11,819	(538,210)
Central	104,210	56,071	33,308	0	(14,831)
Operation of Non-Instructional Services:					
Food Service Operations	220,997	125,320	108,790	0	13,113
Community Services	846,057	0	842,058	0	(3,999)
Extracurricular Activities	21,378	0	0	0	(21,378)
Interest and Fiscal Charges	19,106	0	0	0	(19,106)
<b>Totals</b>	<b>\$9,613,494</b>	<b>\$2,019,590</b>	<b>\$4,268,504</b>	<b>\$26,265</b>	<b>(3,299,135)</b>
<b>General Revenues</b>					
Property Taxes Levied for					
General Purposes					1,359,493
Capital Outlay					220,296
Grants and Entitlements not Restricted to Specific Programs					2,732,845
Investment Earnings					221,442
Miscellaneous					345,855
<i>Total General Revenues</i>					<u>4,879,931</u>
<i>Change in Net Assets</i>					1,580,796
<i>Net Assets Beginning of Year - Restated (Note 22)</i>					<u>5,535,785</u>
<i>Net Assets End of Year</i>					<u><u>\$7,116,581</u></u>

See accompanying notes to the basic financial statements



**Lawrence County Joint Vocational School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2005*

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$3,516,016	\$185,149	\$985,769	\$330,075	\$5,017,009
Receivables:					
Property Taxes	1,411,504	0	223,071	0	1,634,575
Accounts	0	24,476	0	0	24,476
Intergovernmental	0	201,910	0	9,500	211,410
Interfund Receivable	125,000	0	0	40,561	165,561
Prepaid Items	18,048	4,796	0	199	23,043
Materials and Supplies Inventory	30,617	6,158	0	2,162	38,937
<i>Total Assets</i>	<u>\$5,101,185</u>	<u>\$422,489</u>	<u>\$1,208,840</u>	<u>\$382,497</u>	<u>\$7,115,011</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$76,606	\$16,349	\$0	\$12,188	\$105,143
Accrued Wages and Benefits Payable	333,823	73,943	0	6,184	413,950
Interfund Payable	4,460	161,101	0	0	165,561
Deferred Revenue	1,364,821	134,191	216,245	0	1,715,257
Intergovernmental Payable	26,207	21,318	0	48,023	95,548
<i>Total Liabilities</i>	<u>1,805,917</u>	<u>406,902</u>	<u>216,245</u>	<u>66,395</u>	<u>2,495,459</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	93,133	53,459	96	20,874	167,562
Reserved for Property Taxes	46,683	0	6,826	0	53,509
Unreserved:					
Designated for Capital Maintenance	34,195	0	0	0	34,195
Designated for Health Insurance	71,584	35,792	0	8,082	115,458
Unreserved, Undesignated, Reported in:					
General Fund	3,049,673	0	0	0	3,049,673
Special Revenue Funds (Deficit)	0	(73,664)	0	286,299	212,635
Debt Service Fund	0	0	0	847	847
Capital Project Funds	0	0	985,673	0	985,673
<i>Total Fund Balances</i>	<u>3,295,268</u>	<u>15,587</u>	<u>992,595</u>	<u>316,102</u>	<u>4,619,552</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,101,185</u>	<u>\$422,489</u>	<u>\$1,208,840</u>	<u>\$382,497</u>	<u>\$7,115,011</u>

See accompanying notes to the basic financial statements

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

*Reconciliation of Total Governmental Fund Balances to*

*Net Assets of Governmental Activities*

*June 30, 2005*

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<b>Total Governmental Fund Balances</b>		<b>\$4,619,552</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,017,988
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	248,101	
Accounts Receivable	16,866	
Grants	<u>117,325</u>	382,292
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but are not recognized on the balance sheet until due.		(233,830)
Interest payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.		(8,398)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Capital Leases Payable	(8,738)	
Energy Conservation Bonds Payable	(305,373)	
Sick Leave Benefits Payable	<u>(346,912)</u>	<u>(661,023)</u>
Net Assets of Governmental Activities		<u><u>\$7,116,581</u></u>

See accompanying notes to the basic financial statements

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

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,335,281	\$0	\$219,452	\$0	\$1,554,733
Intergovernmental	4,410,012	763,883	99,411	1,750,474	7,023,780
Investment Earnings	23,310	0	198,132	0	221,442
Tuition and Fees	30,260	1,502,818	0	0	1,533,078
Charges for Services	7,878	371,985	0	125,320	505,183
Miscellaneous	328,132	0	0	76,584	404,716
<i>Total Revenues</i>	<u>6,134,873</u>	<u>2,638,686</u>	<u>516,995</u>	<u>1,952,378</u>	<u>11,242,932</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	10,268	0	0	73,299	83,567
Vocational	3,547,834	8,463	30,057	236,693	3,823,047
Adult/Continuing	0	1,849,312	0	136,491	1,985,803
Support Services:					
Pupils	69,194	0	0	0	69,194
Instructional Staff	42,603	1,621	0	123,121	167,345
Board of Education	56,684	0	0	26,432	83,116
Administration	403,122	694,806	0	280,213	1,378,141
Fiscal	305,537	20,123	6,606	27,584	359,850
Operation and Maintenance of Plant	505,984	79,235	15,785	54,999	656,003
Central	5,119	76,206	0	9,799	91,124
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	226,614	226,614
Community Services	0	0	0	846,057	846,057
Extracurricular Activities	21,378	0	0	0	21,378
Capital Outlay	0	0	13,613	0	13,613
Debt Service:					
Principal Retirement	0	13,898	0	103,248	117,146
Interest and Fiscal Charges	0	1,558	0	20,502	22,060
<i>Total Expenditures</i>	<u>4,967,723</u>	<u>2,745,222</u>	<u>66,061</u>	<u>2,165,052</u>	<u>9,944,058</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,167,150</u>	<u>(106,536)</u>	<u>450,934</u>	<u>(212,674)</u>	<u>1,298,874</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	79,620	104,429	0	175,260	359,309
Transfers Out	(127,891)	0	(47,359)	(184,059)	(359,309)
<i>Total Other Financing Sources (Uses)</i>	<u>(48,271)</u>	<u>104,429</u>	<u>(47,359)</u>	<u>(8,799)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,118,879	(2,107)	403,575	(221,473)	1,298,874
<i>Fund Balances Beginning of Year - Restated (Note 22)</i>	<u>2,176,389</u>	<u>17,694</u>	<u>589,020</u>	<u>537,575</u>	<u>3,320,678</u>
<i>Fund Balances(Deficit) End of Year</i>	<u>\$3,295,268</u>	<u>\$15,587</u>	<u>\$992,595</u>	<u>\$316,102</u>	<u>\$4,619,552</u>

See accompanying notes to the basic financial statements

**Lawrence County Joint Vocational School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2005*

**Net Change in Fund Balances - Total Governmental Funds** \$1,298,874

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

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

Capital Asset Additions	475,019	
Depreciation Expense	(262,957)	212,062

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

Loss on Disposal of Capital Assets		(9,000)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Grants	(14,466)	
Accounts Receivable	(18,671)	
Delinquent Taxes	25,056	(8,081)

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

Capital Improvement Notes Payable	103,248	
Capital Leases Payable	13,898	117,146

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 2,954

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

Intergovernmental Payables	8,999	
Vacation Benefits Payable	(24,246)	
Sick Leave Benefits Payable	(17,912)	(33,159)

*Change in Net Assets of Governmental Activities* \$1,580,796

See accompanying notes to the basic financial statements

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

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

*General Fund*

*For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,065,119	\$1,307,929	\$1,307,929	\$0
Intergovernmental	3,733,627	4,410,012	4,410,012	0
Investment Earnings	125,000	23,310	23,310	0
Tuition and Fees	36,717	30,260	30,260	0
Charges for Services	7,878	7,878	7,878	0
Miscellaneous	212,713	322,881	322,881	0
<i>Total Revenues</i>	<u>5,181,054</u>	<u>6,102,270</u>	<u>6,102,270</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	18,590	13,720	13,720	0
Vocational	3,035,876	3,608,030	3,608,030	0
Support Services:				
Pupils	79,395	72,849	72,849	0
Instructional Staff	47,186	44,478	44,478	0
Board of Education	24,604	51,588	51,588	0
Administration	398,542	433,304	433,304	0
Fiscal	333,751	309,423	309,423	0
Operation and Maintenance of Plant	444,086	528,223	528,223	0
Central	0	5,288	5,288	0
Extracurricular Activities	13,700	27,460	27,460	0
<i>Total Expenditures</i>	<u>4,395,730</u>	<u>5,094,363</u>	<u>5,094,363</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	<u>785,324</u>	<u>1,007,907</u>	<u>1,007,907</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	50,220	79,620	79,620	0
Transfers Out	(248,566)	(127,891)	(127,891)	0
Advances In	125,000	0	0	0
Refund of Prior Year Expenditures	0	5,251	5,251	0
<i>Total Other Financing Sources (Uses)</i>	<u>(73,346)</u>	<u>(43,020)</u>	<u>(43,020)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	711,978	964,887	964,887	0
<i>Fund Balance Beginning of Year</i>	2,308,534	2,308,534	2,308,534	0
Prior Year Encumbrances Appropriated	86,506	86,506	86,506	0
<i>Fund Balance End of Year</i>	<u>\$3,107,018</u>	<u>\$3,359,927</u>	<u>\$3,359,927</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

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

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

*Adult Education Fund*

*For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Intergovernmental	\$951,590	\$758,706	\$758,706	\$0
Tuition and Fees	1,474,300	1,617,997	1,617,997	0
Charges for Services	509,027	292,487	292,487	0
<i>Total Revenues</i>	<u>2,934,917</u>	<u>2,669,190</u>	<u>2,669,190</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Vocational	1,000	4,187	4,187	0
Adult/Continuing	2,073,516	1,890,822	1,890,822	0
Support Services:				
Instructional Staff	0	1,621	1,621	0
Administration	763,675	687,964	687,964	0
Fiscal	15,000	11,662	11,662	0
Operation and Maintenance of Plant	77,300	81,456	81,456	0
Central	166,475	75,999	75,999	0
<i>Total Expenditures</i>	<u>3,096,966</u>	<u>2,753,711</u>	<u>2,753,711</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(162,049)</u>	<u>(84,521)</u>	<u>(84,521)</u>	<u>0</u>
<b>Other Financing Sources</b>				
Transfers In	227,429	104,429	104,429	0
Advances In	180,000	0	0	0
Advances Out	(125,000)	0	0	0
Refund of Prior Year Expenditures	3,000	90	90	0
<i>Total Other Financing Sources</i>	<u>285,429</u>	<u>104,519</u>	<u>104,519</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	123,380	19,998	19,998	0
<i>Fund Balance Beginning of Year</i>	45,459	45,459	45,459	0
Prior Year Encumbrances Appropriated	50,777	50,777	50,777	0
<i>Fund Balance End of Year</i>	<u>\$219,616</u>	<u>\$116,234</u>	<u>\$116,234</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

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

*Statement of Fiduciary Assets and Liabilities*

*Fiduciary Funds*

*June 30, 2005*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$10,317</u>
<b>Liabilities</b>	
Due to Students	<u>\$10,317</u>

See accompanying notes to the basic financial statements

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## Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

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

The School District is staffed by 35 non-certificated employees, 149 certificated full-time teaching personnel and 10 administrative employees who provide services to 529 students and other community members. The School District currently operates one instructional building.

The reporting entity is composed of the stand-alone government, component units, and other organizations that are included to 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 jointly governed organizations and three as insurance purchasing pools. The jointly governed organizations are the South Central Ohio Computer Association and Pilasco-Ross Special Education Regional Resource Center, and the insurance purchasing pools are the Ohio School Boards Association Workers' Compensation Group Rating Program, the Ohio School Plan, and the Lawrence County Insurance Purchasing Consortium. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

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

## Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the stand-alone government, except for the fiduciary funds.

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

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

### **B. Fund Accounting**

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

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

**General Fund** The General Fund 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.

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

## Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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Expenditures include supplies, salaries, and textbooks.

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

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

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

### ***C. Measurement Focus***

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

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

### ***D. Basis of Accounting***

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

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

## Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

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

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

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

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

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

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

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

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

During fiscal year 2005, investments were limited to a nonnegotiable time deposit, which is reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. The School District Board of Education has approved interest earned on interim funds to be transferred to the Permanent Improvement Fund. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$23,310. Interest revenue credited to the Permanent Improvement Fund during fiscal year 2005 amounted to \$198,132.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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 fiscal year in which services are consumed.

***G. Inventory***

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

***H. Capital Assets***

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

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

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

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

***I. Compensated Absences***

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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

The entire sick leave benefit liability is reported on the government-wide financial statements.

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

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

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

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

***K. Interfund Activity***

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

***L. Fund Balance Reserves***

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

## Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### ***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants restricted to expenditure for specified purposes. The government-wide statement of net assets reports \$1,295,927 of restricted net assets. Of the restricted net assets none have resulted from enabling legislation.

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

### ***N. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

### ***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. Budgetary Process***

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The School District Treasurer has been given the authority to allocate appropriations among functions and objects within all funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statement reflect the amounts on the certificate of estimated resources in effect when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original

## Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at year end.

### ***Q. Designated Fund Balance***

The School District has designations of fund balances on the balance sheet of \$105,779 in the General Fund; \$35,792 in the Adult Education Fund; and \$8,082 in the Other Governmental Funds for money set aside by the Board of Education for the potential payment of future health insurance premiums and capital maintenance.

### **Note 3 - Changes in Accounting Principles**

***Changes in Accounting Principles*** For the fiscal year ended June 30, 2005, the School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", and GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers", and early-implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 modifies the disclosures for deposits and investments, and had no material effect on the financial statements.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The effect of the implementation of this technical bulletin had no material effect on fund balances and net assets.

GASB Statement No. 46 defines legal enforceability for the purposes of determining which net assets should be reported as restricted. See Note 2 "Summary of Significant Accounting Policies" for the required disclosure.

### **Note 4 – Accountability and Compliance**

#### **Accountability**

The Adult Education Special Revenue Fund had a deficit fund balance at June 30, 2005, of \$44,728. The General Fund is liable for this deficit and provides operating transfers when cash is required, not when accruals occur.

#### **Compliance**

The School District was not in compliance with Ohio Rev. Code Section 5705.10 which requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. It also requires that money paid into any fund shall be used only for the purposes for which such fund is established.

The School District was not in compliance for their Vocational Education\_Basic Grants to States (Perkins III) with 20 USC 2353(b)(1) which provides that in any academic year that a local education agency does not



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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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obligate all of the amounts it is allocated under the Secondary, and Postsecondary and Adult Vocational Education programs for that year, it must return the unobligated amounts to the State to be reallocated under the Secondary, Postsecondary, and Adult Vocational Education Program.

The School District was not in compliance for their Vocational Education\_Basic Grants to States (Perkins III) with OMB Circular A-87, Attachment A, Section (C)(1) which lists the factors affecting allowability of costs and provides that to be allowable under Federal awards, costs must be adequately documented and meet general criteria.

The School District was not in compliance for their Vocational Education\_Basic Grants to States (Perkins III) with the Ohio Department of Education's (ODE) Consolidated Application Assurances, item 5, which provides that Local Education Agencies will make reports to ODE as may be reasonably necessary to enable ODE to perform its duties. Actual expenditures authorized by the approved project application and charges to the project special cost centers are to be reported.

**Note 5 - Budgetary Basis of Accounting**

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

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

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Adult Education Special Revenue Fund.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

Net Change in Fund Balance		
		Adult
	General	Education
GAAP Basis	\$1,118,879	(\$2,107)
Revenue Accruals	(27,352)	30,594
Beginning of Year:		
Prepaid Items	20,145	6,507
End of Year		
Prepaid Items	(18,048)	(4,796)
Expenditure Accruals	27,353	58,714
Encumbrances	(156,090)	(68,914)
Budget Basis	\$964,887	\$19,998

**Note 6 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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(2) and repurchase agreements secured by such obligations;

7. The State Treasurer's investment pool (STAROhio).

8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$52,277 of the School District's bank balance of \$5,152,277 was exposed to custodial credit risk because it was uninsured and uncollateralized, although all 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 FDIC.

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

**Note 7 - 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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three 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.

The School District receives property taxes from Lawrence and Gallia County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 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, 2005 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, 2005, was \$46,683 in the General Fund and \$6,826 in the Permanent Improvements Capital Projects Fund. The amount available as an advance at June 30, 2004, was \$19,331 in the General Fund and \$3,148 in the Permanent Improvements Capital Projects Fund.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$464,551,250	72%	\$616,847,290	85%
Public Utility Personal	81,409,420	13%	59,582,600	8%
Tangible Personal Property	101,574,550	15%	49,019,329	7%
Total	<u>\$647,535,220</u>	<u>100%</u>	<u>\$725,449,219</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation		\$2.90		\$2.90

**Note 8 - Receivables**

Receivables at June 30, 2005, consisted of property taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Special Revenue Funds:	
Adult Education	\$201,910
Vocational Education	9,500
Total Intergovernmental Receivables	<u>\$211,410</u>

**Note 9 - Capital Assets**

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

	<u>Balance 6/30/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2005</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land and Land Improvements	\$109,260	\$0	\$0	\$109,260
Construction in Progress	31,475	0	(31,475)	0
Total Capital Assets not being Depreciated	<u>140,735</u>	<u>0</u>	<u>(31,475)</u>	<u>109,260</u>
Depreciable Capital Assets:				
Land Improvements	655,896	0	0	655,896
Buildings and Improvements	6,186,123	0	0	6,186,123
Furniture and Equipment	1,397,277	506,494	(102,454)	1,801,317
Vehicles	385,778	0	0	385,778
Total Capital Assets being Depreciated	<u>8,625,074</u>	<u>506,494</u>	<u>(102,454)</u>	<u>9,029,114</u>
Less Accumulated Depreciation				
Land Improvements	(574,840)	(5,371)	0	(580,211)
Buildings and Improvements	(4,259,844)	(107,083)	0	(4,366,927)
Furniture and Equipment	(766,084)	(139,178)	93,454	(811,808)
Vehicles	(350,115)	(11,325)	0	(361,440)
Total Accumulated Depreciation	<u>(5,950,883)</u>	<u>(262,957) *</u>	<u>93,454</u>	<u>(6,120,386)</u>
Total Capital Assets being Depreciated, Net	<u>2,674,191</u>	<u>243,537</u>	<u>(9,000)</u>	<u>2,908,728</u>
Capital Assets, Net	<u>\$2,814,926</u>	<u>\$243,537</u>	<u>(\$40,475)</u>	<u>\$3,017,988</u>

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

Instruction:	
Vocational	\$226,936
Adult Education	17,668
Support Services:	
Board of Education	3,871
Administration	8,824
Operation and Maintenance of Plant	1,028
Central	2,701
Operation of Non-Instructional Services:	
Food Service Operations	1,929
Total Depreciation Expense	<u>\$262,957</u>

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**Note 10 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted with Indiana Insurance and participated in the Ohio School Plan (OSP) for insurance coverage. The School District contracted with Indiana Insurance for automobile and property coverage for the period September 19, 2004 through September 19, 2005 and for commercial umbrella liability coverage for the period February 1, 2005 through September 19, 2005.

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 18).

The School District participated in the Ohio School Plan (OSP) for professional and general liability insurance for the period February 1, 2004 through February 1, 2005 and beginning September 19, 2005 for property coverage, automobile coverage and liability coverage.

The types and amounts of coverage provided are as follows:

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000
Medical Expense Limit - Any One Person/Any One Accident	10,000
Fire Damage Limit - Any One Event	500,000
Excess Liability:	
Each Occurrence	3,000,000
Aggregate Limit	3,000,000
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
Building and Business Personal Property Coverage (\$1,000 deductible)	19,732,411
Equipment Breakdown (Boiler/Machinery) Coverage (\$1,000 deductible)	19,760,027
Automobile Liability (\$1,000 deductible for buses; \$500 for other)	4,000,000

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.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

**Note 11 - Employee Benefits**

***A. Compensated Absences***

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

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

Teaching employees, administrative personnel and non-teaching employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulates to a maximum of 250 days for administrative personnel and non-teaching employees and accumulates to a maximum of 295 days for teaching employees. Teaching employees upon retirement who have taught 10 or more years in the Lawrence County Joint Vocational School District are paid one-fourth of the total sick leave accumulation up to a maximum of 50 days. Administrative personnel and non-teaching employees are paid one-fourth of the total sick leave accumulation up to a maximum of 50 days. Teaching employees, administrative personnel and non-teaching employees who have been employed in the School District for 10 years or more, upon retirement and has accrued unused sick leave credit of 200 days or more shall be paid an attendance bonus of an additional 10 days above the maximum of 50 days and shall receive an extra bonus of one additional day for each year of service after the tenth year of service.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

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

Health insurance is provided by CIGNA. Premiums for this coverage are \$1,071.59 for family coverage and \$434.15 for single coverage per month. The School District pays 72.51% 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 \$32.78 single and \$100.77 family coverage per month. The School District pays 100% of the premium for single plans and 33% of the premium for family plans.

**Note 12 - Defined Benefit Pension Plans**

***A. 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, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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.



## Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% 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, 2005, 2004, and 2003, were \$537,718, \$585,146, and \$509,993, respectively; 100 percent has been paid for fiscal years 2005, 2004, and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$21,430 made by the School District and \$23,380 made by the plan members.

### ***B. 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 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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 statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$66,778, \$78,821 and \$70,505, respectively; 100 percent has been contributed for fiscal year 2005, 2004, and 2003.

### **Note 13 - 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-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

## Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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STRS retirees who participated in the DB or Combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All 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, 2005, 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 \$41,363 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the latest date for which information is available, the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2% of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits including the surcharge during the 2005 fiscal year equaled \$37,260.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**Note 14 - Long Term Obligations**

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

	Principal Outstanding 6/30/2004	Additions	Reductions	Principal Outstanding 6/30/2005	Amounts Due in One Year
<b>Governmental Activities</b>					
Capital Lease	\$22,636	\$0	\$13,898	\$8,738	\$8,738
Capital Improvement Note, 2000-6.00%	45,969	0	45,969	0	0
Capital Improvement Note, 2000-5.50%	362,652	0	57,279	305,373	63,239
Sick Leave Benefits	329,000	56,268	38,356	346,912	0
Total Governmental Activities					
Long-Term Liabilities	<u>\$760,257</u>	<u>\$56,268</u>	<u>\$155,502</u>	<u>\$661,023</u>	<u>\$71,977</u>

Compensated absences will be paid from the funds from which the employees' salaries are paid, which are the General Fund, the Food Service Fund, and the Adult Education Fund. The capital Lease will be paid from the Adult Education Special Revenue Fund.

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. The capital improvement notes 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. Principal and interest requirements to retire the notes outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$63,239	\$16,716	\$79,955
2007	66,765	13,190	79,955
2008	70,488	9,468	79,956
2009	74,417	5,538	79,955
2010	30,464	1,388	31,852
	<u>\$305,373</u>	<u>\$46,300</u>	<u>\$351,673</u>

The overall debt margin of the School District as of June 30, 2005, was \$65,290,430, with an unvoted debt margin of \$725,449.

**Note 15 - Capitalized Leases - Lessee Disclosure**

In the current and prior years, the School District entered into capitalized leases for radiographic equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures on the statement of revenues, expenses and changes in fund balances for governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been capitalized in the amount of \$40,522 which is equal to the present value of the future minimum lease payments at the time of acquisition. The carrying value of these assets at June 30, 2005, is \$6,754.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

Fiscal Year Ending June 30,	Amount
2005	\$9,017
Total minimum lease payments	9,017
Less: amount representing interest	(279)
Present value of minimum lease payments	<u>\$8,738</u>

**Note 16 – Interfund Balances and Transfers**

Interfund receivables and payables at June 30, 2005, consist of the following individual balances, representing monies advanced to federal grant funds to be repaid when grant funds are received:

	Interfund Receivable	Interfund Payable
General Fund:	\$125,000	\$4,460
Special Revenue Funds:		
Adult Education	0	161,101
Vocational Education Basic Grants to States	40,561	0
Total Special Revenue Funds	40,561	161,101
Total All Funds	<u>\$165,561</u>	<u>\$165,561</u>

During fiscal year 2005, the General Fund made transfers to the Bond Retirement Fund in the amount of \$76,391 for the retirement of debt, and to other non-major governmental funds, in the amount of \$51,500, to subsidize various programs in other funds. \$47,359 was transferred from the Permanent Improvement Capital Projects Fund to the Bond Retirement Fund for the repayment of debt. Various non-major governmental funds transferred \$79,620 to the General Fund, \$104,429 to the Adult Education Special Revenue Fund and \$10 to other non-major governmental funds. These transfers were to repay the General Fund and the Adult Education Special Revenue Fund for expenditures on behalf of those funds.

Transfer from	Transfer to				Total
	General Fund	Permanent Improvement Fund	Adult Education Fund	Other Non-Major Governmental Funds	
General Fund	\$0	\$0	\$0	\$127,891	\$127,891
Permanent Improvement Fund	0	0	0	47,359	47,359
Other Non-Major Governmental Funds	79,620	0	104,429	10	184,059
Total	<u>\$79,620</u>	<u>\$0</u>	<u>\$104,429</u>	<u>\$175,260</u>	<u>\$359,309</u>

## Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **Note 17 - Jointly Governed Organization**

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. Lawrence County Joint Vocational School District paid \$19,285 for services provided during fiscal year 2005. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

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 MRDD, 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 SERRC is Dawson-Bryant Local School District. 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 18 - Insurance Purchasing Pools**

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

The School District participates in the 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.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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

**Note 19 - Set asides**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the 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 fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior fiscal years, the School District was also required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of as of June 30, 2004	\$0	\$0
Current Year Set-Aside Requirement	73,166	73,166
Additional Set-Aside Requirement	272,647	
Prior Year's Carry Over	(517,501)	0
Current Year Offsets	0	(288,920)
Qualifying Disbursements	(450,312)	(98,303)
Totals	<u>(\$622,000)</u>	<u>(\$314,057)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$622,000)</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2005	<u>\$0</u>	<u>\$0</u>

The School District had qualifying expenditures and offsets 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.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**Note 20 - Contingencies**

***A. Grants***

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

***B. Litigation***

The School District is currently not a party to any legal proceedings.

**Note 21 - Federal Family Education Loans**

Federal Family Education Loans (Federal CFDA Number 84.032) processed for students by the School District during the year ended June 30, 2005, are summarized as follows:

Federal Stafford Loans	\$593,796
Federal Unsubsidized Stafford Loans	748,781
Federal Parental Loans for Undergraduate Students (PLUS)	<u>30,878</u>
Total:	<u><u>\$1,373,455</u></u>

The School District is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loan programs and, accordingly, these loans are not included in the School District's financial statements.

**Note 22 – Restatement of Fund Balance**

The beginning of the year fund balance in the Adult Education Fund has been restated due to an error discovered that related to accrued wages and benefits payable in the prior year. This error resulted in the following restatements:

Adult Education Fund Balance, June 30, 2004	\$ 28,480
Restatement of Accrued Wages and Benefits Payable	<u>(10,786)</u>
Adult Education Fund Balance, June 30, 2004, As Restated	<u><u>\$ 17,694</u></u>
Governmental Activities Net Assets, June 30, 2004	\$ 5,546,571
Restatement of Accrued Wages and Benefits Payable	<u>(10,786)</u>
Governmental Activities Net Assets, June 30, 2004, As Restated	<u><u>\$ 5,535,785</u></u>

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LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LAWRENCE COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550	\$	\$4,437	\$	\$4,437
School Breakfast Program	05PU-2004	10.553	3,921		3,921	
	05PU-2005		23,850		23,850	
Total School Breakfast Program			27,771	0	27,771	0
National School Lunch Program	LLP4-2004	10.555	12,117		12,117	
	LLP4-2005		59,140		59,140	
Total National School Lunch Program			71,257	0	71,257	0
Total Nutrition Cluster			99,028	4,437	99,028	4,437
<i>Direct from Federal Government:</i>						
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	N/A	10.226			1,109	
Total U.S. Department of Agriculture			99,028	4,437	100,137	4,437
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education_State Grant Program	ABS1-2005	84.002	127,031		84,744	
Vocational Education_Basic Grants to States	20A0-2005	84.048	15,500		12,900	
	20C1-2004				63,792	
	20C2-2004				98,322	
	20C1-2005		260,717		260,717	
	20C2-2005		138,034		140,597	
Total Vocational Education_Basic Grants to States			414,251	0	576,328	0
Safe and Drug-Free Schools and Communities_State Grants	DRS1-2005	84.186	1,546		1,455	
State Grants for Innovative Programs	C2S1-2005	84.298	2,892		2,892	
Improving Teacher Quality State Grants	TRS1-2004	84.367			1,242	
	TRS1-2005		3,194		3,194	
Total Improving Teacher Quality State Grants			3,194	0	4,436	0
<i>Passed Through Ohio University:</i>						
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	N/A	84.334A	17,140		17,140	
<i>Direct from Federal Government:</i>						
Federal Pell Grant Program	N/A	84.063	845,123		845,123	
Rural Education Achievement Program	N/A	84.358A	53,712		53,188	
Rural Education	N/A	84.358			3,274	
Total U.S. Department of Education			1,464,889	0	1,588,580	0
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
<i>Passed Through the Huntington, WV Ironton, OH Empowerment Zone, Inc.:</i>						
Empowerment Zones Program	N/A	14.244	15,531		15,531	
Total U.S. Department of Housing and Urban Development			15,531	0	15,531	0
<b>U.S. DEPARTMENT OF LABOR</b>						
<i>Passed Through Ohio Department of Education:</i>						
WIA Adult Program	WFHS-2004	17.258	7,000			
Total U.S. Department of Labor			7,000	0	0	0
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>			<b>\$1,586,448</b>	<b>\$4,437</b>	<b>\$1,704,248</b>	<b>\$4,437</b>

The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School District'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 non-monetary assistance (expenditures) is reported in the Schedule at the purchase price 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.

**NOTE D – FEDERAL FAMILY EDUCATION LOANS**

Federal Family Education Loans (Federal CFDA Number 84.032) processed for students by the School District during the year ended June 30, 2005, are summarized as follows:

Federal Stafford Loans	\$ 593,796
Federal Unsubsidized Stafford Loans	748,781
Federal Parental Loans for Undergraduate Students (PLUS)	<u>30,878</u>
Total:	<u>\$1,373,455</u>

The School District is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loan programs and, accordingly, these loans are not included in the School District's financial statements.



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated June 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated June 21, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Questioned Costs as item 2005-001. In a separate letter to the School District's management dated June 21, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

June 21, 2006



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 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 apply to its major federal program for the year ended June 30, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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.

As described in items 2005-002 through 2005-004 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding Allowable Costs/Cost Principles, Period of Availability and Reporting applying to its Vocational Education\_Grants to States Program, CFDA #84.048. Compliance with those requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

### **Internal Control Over Compliance**

The School District's management 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 directly and materially affect a major federal program 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.

We noted certain matters involving the internal control over compliance and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2005-005 and 2005-006.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider item 2005-005 to be a material weakness.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

June 21, 2006

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<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>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Vocational Education_Basic Grants to States CFDA #84.048
<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 AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2005-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. It also requires that money paid into any fund shall be used only for the purposes for which such fund is established.

In fiscal year 2005, the Adult Education Fund was reimbursed \$32,172.43 in excess of supporting and allowable expenditures from the Fiscal Year 2005 Vocational Education – Basic Grants to States (Perkins III) Adult Education Program Fund (See also Finding # 2005-003).

In fiscal year 2004, the Adult Education Fund was reimbursed \$3,812.28 in excess of supporting expenditures from the Fiscal Year 2004 Vocational Education – Basic Grants to States (Perkins III) Adult Education Program Fund (See also Finding # 2005-003).

In fiscal year 2006, the General Fund was reimbursed \$4,460.10 for which supporting documentation was not provided from the Fiscal Year 2005 Project Lead the Way Program Fund (See also Finding # 2005-002).

In fiscal year 2006, the Adult Education Fund was reimbursed \$116 which was remaining in the Fiscal Year 2004 Vocational Education – Basic Grants to States (Perkins III) Adult Education Program Fund (See also Finding # 2005-002).

On June 20, 2006, the School District posted the following adjustments, which were made against the General Fund and Adult Education Fund, as follows:

- In the amount of \$32,172.43 in favor of the Fiscal Year 2005 Vocational Education – Basic Grants to States (Perkins III) Adult Education Program Fund.
- In the amount of \$3,812.28 in favor of the Fiscal Year 2004 Vocational Education – Basic Grants to States (Perkins III) Adult Education Program Fund.
- In the amount of \$4,460.10 in favor of the Fiscal Year 2005 Project Lead the Way Program Fund.
- In the amount of \$116 in favor of the Fiscal Year 2004 Vocational Education – Basic Grants to States (Perkins III) Adult Education Program Fund.

The total amount against the General Fund is \$4,460.10 and the total amount against the Adult Education Fund is \$36,100.71. These adjustments were made on June 20, 2006 to the School District's accounting records. These adjustments were also reflected in the accompanying basic financial statements.

In addition, the School District should remit these monies back to the Ohio Department of Education since the programs are closed out.

**Officials' Response**

We did not receive a response from Officials to this finding.



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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2005-002
<b>CFDA Title and Number</b>	Vocational Education – Basic Grants to States (Perkins III)
<b>Federal Award Number / Year</b>	20C2-2005, 20C1-2005, 20C2-2004, and 20C1-2004
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Cost – Period of Availability of Federal Funds**

20 U.S.C. Section 2353(b)(1) provides that in any academic year that a local education agency does not obligate all of the amounts it is allocated under the Secondary, and Postsecondary and Adult Vocational Education programs for that year, it must return the unobligated amounts to the State to be reallocated under the Secondary, Postsecondary, and Adult Vocational Education Program.

In Ohio, programs included in the Ohio Department of Education’s (ODE) Consolidated Application have a project period starting with the application substantially approved date through June 30. Additionally, any budget revisions contain a substantially approved date which coincides with the date the revision request was submitted to ODE. Activities may not commence from that budget revision prior to the substantially approved date. (OMB Circular A-133 Compliance Supplement, (March, 2004)).

OMB Circular A-133, Compliance Supplement, part H defines an obligation as: not necessarily a liability in accordance with generally accepted accounting principles. When an obligation occurs (is made) depends on the type of property or services that the obligation is for. OMB Circular A-133 states that the act of an SEA or other grantee awarding Federal funds to an LEA or other eligible entity within a State does not constitute a final obligation. An SEA or other grantee may not reallocate grant funds from one subrecipient to another after the period of availability (See also GEPA Section 421(b): 34 C.F.R. Sections 76.703 through 76.710).

Obligations must be liquidated prior to submitting the Final Expenditure Report, which must be filed no later than 90 days after the end of the project period. (ODE Federal Fiscal Report Procedures #1 and ODE Superintendent Weekly E-mail, December 6, 2002).

Several instances were identified in which expenditures were made after the availability period. There were various types as noted below:

Fiscal Year 2005 Adult Education Program

The Final Expenditure Report (FER) was approved on July 27, 2005 and indicated the entire budget amount of \$143,034.21 was expended from the grant. Expenditures were made after this date in the amount of \$176.78 and is considered a questioned cost.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2005-002 (Continued)
<b>CFDA Title and Number</b>	Vocational Education – Basic Grants to States (Perkins III)
<b>Federal Award Number / Year</b>	20C2-2005, 20C1-2005, 20C2-2004, and 20C1-2004
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Cost – Period of Availability of Federal Funds (Continued)**

Fiscal Year 2005 Secondary Education Program

The School District did not make many payments directly from the Secondary Education Program. The payments were made from the General Fund then reimbursed at a later date. The General Fund was reimbursed on June 7, 2005 for employee payroll payments for the 2005 school year that should have been charged to the Secondary Education Program. One employee's contract was from August to May but paid over twelve months thus the employee was paid four additional payroll payments from July 1, 2005 through August 2005 for the 2005 school year. The other employee's contracts included in this reimbursement were from July 1, 2004 through June 30, 2005. Since the School District reimbursed the General Fund from the Secondary Education Program on July 7, 2005, it was prior to the payments being made from the General Fund.

In addition, the FER was approved on July 27, 2005 and ODE requires funds to be liquidated prior to submitting the FER. Since one employment contract was being paid through the end of August 2005, two of the payroll payments were made after the FER was approved. The total of the two payment periods for this individual was \$2,548.90 and is considered a questioned cost.

Fiscal Year 2004 Adult Education Program

For the fiscal year 2004 Adult Education Program, the School District reported all grant monies expended. Expenditures were made during fiscal year 2005 for this grant in the amount of \$3,242 which was after the availability period for the fiscal year 2004 grant. In addition, expenditures were made during fiscal year 2006 for this grant in the amount of \$116 which was also after the availability period for the fiscal year 2004 grant. The total payments after the period of availability were \$3,358 and were considered questioned costs. The amount of \$116 was included in Finding for Adjustment # 2005-001.

Fiscal Year 2004 Secondary Education Program

Expenditures were made during fiscal year 2005 for this grant in the amount of \$628.60 which was after the availability period for the fiscal year 2004 grant. This amount is considered a questioned cost.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
--

<b>Finding Number</b>	2005-002 (Continued)
<b>CFDA Title and Number</b>	Vocational Education – Basic Grants to States (Perkins III)
<b>Federal Award Number / Year</b>	20C2-2005, 20C1-2005, 20C2-2004, and 20C1-2004
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Cost – Period of Availability of Federal Funds (Continued)**

Fiscal Year 2005 Project Lead the Way Program

Expenditures were made after fiscal year 2005 for this grant in the amount of \$4,460.10 which was after the availability period for the fiscal year 2005 grant. These expenditures were made by a transfer to the General Fund for which there was no support provided for these expenditures. The amount of \$4,460.10 was included in Finding for Adjustment # 2005-001 and is considered a questioned cost.

We question the total of all expenditures made after the available period. Total questioned costs are:

FY 2005 Adult Education Program	\$176.78
FY 2005 Secondary Education Program	2,548.90
FY 2004 Adult Education Program	3,358.00
FY 2004 Secondary Education Program	628.60
FY 2005 Project Lead the Way	4,460.10
<b>Total:</b>	<b>\$11,172.38</b>

This amount does not include the amounts for those expenditures questioned in Finding Number 2005-003.

We recommend the School District ensure that all federal funds are expended during the period of availability. We further recommend that Final Expenditure Reports not be prepared until all funds have been liquidated which will be included on the Final Expenditure Report. In addition, the School District should consult with the Ohio Department of Education regarding repayment.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2005-003
<b>CFDA Title and Number</b>	Vocational Education – Basic Grants to States (Perkins III)
<b>Federal Award Number / Year</b>	20C2-2005, 20C1-2005, 20C2-2004, and 20A0-2005
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Cost – Allowable Costs/Cost Principles**

OMB Circular A-87, Attachment A, Section (C)(1) lists the factors affecting allowability of costs. Section (C) provides that to be allowable under Federal awards, costs must be adequately documented and meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards;
- b. Be allocable to Federal awards under the provisions of Circular A-87;
- c. Be authorized or not prohibited under State or local laws or regulations;
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items;
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit;
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost;
- g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles;
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation;
- i. Be the net of all applicable credits; and
- j. Be adequately documented.

Fiscal Year 2005 Vocational Education Basic Grants to States (Perkins III) Program

The School District agreed to abide by the budget that was included as part of the 2005 Career-Technical and Adult Education Application Revision 1 dated May 5, 2005 when the application received final approval by the Ohio Department of Education.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
--

<b>Finding Number</b>	2005-003 (Continued)
<b>CFDA Title and Number</b>	Vocational Education – Basic Grants to States (Perkins III)
<b>Federal Award Number / Year</b>	20C2-2005, 20C1-2005, 20C2-2004, and 20A0-2005
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Cost – Allowable Costs/Cost Principles (Continued)**

Fiscal Year 2005 Adult Education Program

The School District did not make many payments directly from the Adult Education Perkins Program Grant monies. The payments were made from other Adult Education Funds and then reimbursed at a later date. We noted the School District over reimbursed the Adult Education Special Revenue Fund by \$32,172.43. This resulted due to the School District reimbursing the Adult Education Special Revenue Fund for the following:

1. Expenditures not related to the fiscal year 2005 Adult Education Program in the amount of \$11,132.20. This was a result of the School District maintaining their documentation for the amount to be reimbursed by purchase order number and amount instead of maintaining it by the amount actually spent. There were several purchase orders on the list that were not issued, issued for a different grant year or issued for a fund other than Adult Education Fund.
2. Duplicated items included in supporting documentation for Fiscal Year 2005 Adult Grant Education Program Expenditures in the amount of \$12,001.73.
3. Unallowable expenditures for such items as graduation floral arrangements, advertisement for a maintenance supervisor, a plaque, invitations for plaque dedication, shirts for the staff, dinner for instructors, professional membership fee, and a Christmas party for Adult Education staff were charged to the Fiscal Year 2005 Adult Education Program in the amount of \$9,038.50.

The amount of \$32,172.43 was included in Finding for Adjustment # 2005-001.

In addition, for the fiscal year 2005 Adult Education Program, the School District expended \$3,686.63 more than budgeted for the supplies (500) object code and/or the expenditures were not properly reported on the final expenditure report. The Final Expenditure Report did not include expenditures for supplies.

Total fiscal year 2005 Adult Education Program questioned cost is \$35,859.06.

For the fiscal year 2005 Secondary Education Program, the School District overspent their Fringe Benefit allocation plus the 10% allowance from the Ohio Department of Education by \$8,824.81.

Total fiscal year 2005 Secondary Education Program questioned cost is \$8,824.81.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
--

<b>Finding Number</b>	2005-003 (Continued)
<b>CFDA Title and Number</b>	Vocational Education – Basic Grants to States (Perkins III)
<b>Federal Award Number / Year</b>	20C2-2005, 20C1-2005, 20C2-2004, and 20A0-2005
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Cost – Allowable Costs/Cost Principles (Continued)**

Fiscal Year 2004 Vocational Education Basic Grants to States (Perkins III) Program

The School District agreed to abide by the budget that was included as part of the 2004 Career-Technical and Adult Education Application.

The School District did not make many payments directly from the Adult Education Perkins Program Grant monies. The payments were made from other Adult Education Funds and then reimbursed by the Grant at a later date. For the fiscal year 2004 Adult Education Program, the School District over reimbursed the Adult Education Special Revenue Fund by \$3,812.28. This was a result of the School District maintaining the documentation for the amount to be reimbursed by purchase order number and amount instead of maintaining it by the amount actually spent. There were several purchase orders on the list that were not issued, issued for a different grant year or issued for a fund other than Adult Education Fund.

The amount of \$3,812.28 was included in Finding for Adjustment # 2005-001.

In addition, the School District expended \$12,163.40 more than budgeted for the supplies (500) object code. The Final Expenditure Report did not include expenditures for supplies.

Total fiscal year 2004 Adult Education Program questioned cost is \$15,975.68.

Fiscal Year 2005 New Project Lead the Way Program

The School District agreed to abide by the budget that was included as part of the fiscal year 2005 New Project Lead the Way Program application.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
--

<b>Finding Number</b>	2005-003 (Continued)
<b>CFDA Title and Number</b>	Vocational Education – Basic Grants to States (Perkins III)
<b>Federal Award Number / Year</b>	20C2-2005, 20C1-2005, 20C2-2004, and 20A0-2005
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Cost – Allowable Costs/Cost Principles (Continued)**

For this program, the School District expended \$12,907 more than budgeted for the capital outlay (600) object code which is considered a questioned cost.

Total questioned costs are:

FY 2005 Adult Education Program	\$35,859.06
FY 2005 Secondary Education Program	8,824.81
FY 2004 Adult Education Program	15,975.68
FY 2005 Project Lead the Way	<u>12,907.00</u>
<b>Total:</b>	<b><u>\$73,566.55</u></b>

This amount does not include the amounts for those expenditures questioned in Finding Number 2005-002.

We recommend the School District ensure that all expenditures made from federal funds are for an allowable purpose in accordance with the grant guidelines. We would further recommend the School District monitor budget versus actual grant expenditures by object code to ensure amounts are within budgeted amounts.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2005-004
<b>CFDA Title and Number</b>	Vocational Education – Basic Grants to States (Perkins III)
<b>Federal Award Number / Year</b>	20C1-2005, 20C2-2005, 20C1-2004, and 20C2-2004
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation – Reporting**

Ohio Department of Education’s Consolidated Application Assurances, item 5, provides that LEAs (Local Education Agencies) will make reports to ODE as may be reasonably necessary to enable ODE to perform its duties.

Program funds are reported to the State of Ohio. There are two forms the School District must file:

- Project cash request
- Final expenditure report (FER)

The final expenditure report is to be submitted for each project immediately after all financial obligations have been liquidated. The report is due no later than 90 days after the end of the project period if filed electronically. The FER is due no later than 60 days after the end of the project period if filed manually. Failure to submit the report in a timely manner may result in a temporary suspension of the flow of federal funds for this grant until the project is closed.

Actual expenditures authorized by the approved project application and charges to the project special cost center are to be reported (report amounts actually expended, not encumbered).

Fiscal Year 2005 Adult Education Program

For the fiscal year 2005 adult education program, the Final Expenditure Report was approved on July 27, 2005 and indicated the entire \$143,034.21 was expended from the grant. Expenditures in the amount of \$5,021.92 were made after this approval date. Of this amount, the School District provided support for \$4,845.14 which related to 2005. The remaining \$176.78 is considered a questioned cost and has already been included in Finding Number 2005-002.



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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
--

<b>Finding Number</b>	2005-004 (Continued)
<b>CFDA Title and Number</b>	Vocational Education – Basic Grants to States (Perkins III)
<b>Federal Award Number / Year</b>	20C1-2005, 20C2-2005, 20C1-2004, and 20C2-2004
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation – Reporting (Continued)**

Fiscal Year 2005 Secondary Education Program

For the fiscal year 2005 secondary education program, the Final Expenditure Report was approved on July 27, 2005 and indicates the entire \$260,717.23 was expended for the grant. Amounts reported on the Final Expenditure Report agree to budgeted amounts and do not reflect actual expenditure amounts. Below is a comparison of the reported figures and actual figures for the fiscal year 2005 secondary education program grant:

Object Level	Expenditures Per FER	Actual Expenditures Per Records	Variance
Salaries (100)	\$220,209	\$207,333	\$12,876
Fringe Benefits (200)	\$40,508	\$53,384	(\$12,876)
Total:	\$260,717	\$260,717	\$0

Of this variance, \$8,824.81 is considered a questioned cost and has already been included in Finding Number 2005-003.

Fiscal Year 2004 Adult Education Program

For the fiscal year 2004 Adult Education Program, the Final Expenditure Report (FER) was filed manually and therefore was due within 60 days after the end of the project period which was June 30, 2004. The FER was filed November 4, 2004 and indicated that the entire \$108,793.14 grant amount had been spent.

In addition, while the School District reported that all grant monies had been expended, we note that \$3,242 in expenditures were paid after the last date funds can be liquidated which is 60 days past the fiscal year end and there was still \$116 in the cost center when the FER was filed.

The total of these items is \$3,358 and is considered a questioned cost which has already been included in Finding Number 2005-002.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2005-004 (Continued)
<b>CFDA Title and Number</b>	Vocational Education – Basic Grants to States (Perkins III)
<b>Federal Award Number / Year</b>	20C1-2005, 20C2-2005, 20C1-2004, and 20C2-2004
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation – Reporting (Continued)**

Fiscal Year 2004 Secondary Education Program

For the fiscal year 2004 secondary education program, the Final Expenditure Report was filed on November 4, 2004 and indicates \$261,649.84 was expended for the grant. Amounts reported on the Final Expenditure Report do not reflect actual expenditure amounts. Below is a comparison of the reported figures and actual figures for the fiscal year 2004 secondary education program grant:

Object Level	Expenditures Per FER	Actual Expenditures Per Records	Variance
Salaries (100)	\$215,920	\$209,688	\$6,232
Fringe Benefits (200)	\$45,730	\$51,962	(\$6,232)
Total:	\$261,650	\$261,650	\$0

We recommend that Final Expenditure Reports be filed within the required deadlines. We further recommend the Final Expenditure Report be prepared based on actual expenditure amounts and expenditures for grant expenditures be tracked and monitored by object code to allow for monitoring of budget versus actual grant expenditures.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2005-005
<b>CFDA Title and Number</b>	Vocational Education – Basic Grants to States (Perkins III)
<b>Federal Award Number / Year</b>	20C1-2005, 20C2-2005, 20C1-2004, 20C2-2004, and 20A0-2005
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Material Weakness – Posting Expenditures Directly to Perkins Grant Fund**

While testing expenditures for the fiscal year 2004 and 2005 Adult and Secondary Education Grant Program and the fiscal year 2005 Project Lead the Way Grant Program, we found that many of the expenditures were not made directly from the fund. We note that expenditures were posted to these programs as follows:

Program	Amount	Method of Expenditure Posting
FY 2004 Adult Program	\$95,080.18	Transfer to Reimburse Adult Education Special Revenue Fund
FY 2004 Secondary Program	\$48,465.59	Transfer to Reimburse the General Fund
FY 2005 Adult Program	\$127,242.29	Memo expenditure posting correction to reimburse the Adult Education Special Revenue Fund
FY 2005 Secondary Program	\$260,717.23	Memo expenditure posting correction to reimburse the General Fund
FY 2005 Project Lead the Way	\$9,314.17	Memo expenditure posting correction to reimburse the General Fund

Some of these reimbursements and memo expenditures were made several months to a year after the expenditure had been made.

For the fiscal year 2004 Secondary Education grant program we note the \$48,465.59 transfer to reimburse the General Fund was made after the period of availability however the School District provided documentation that the expenditures being reimbursed occurred in the 2004 fiscal year. Grant expenditures should be charged to the grant at the time expenditures are made.

In addition, the School District reimbursed funds for expenditures prior to the expenditures actually being made.

We noted for the fiscal year 2005 Secondary Education Program, the School District paid an individual for two payment periods after the Final Expenditure Report was approved.

The School District should not reimburse a fund for expenditures not yet paid and payments should be made prior to Final Expenditure Report approval.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
--

<b>Finding Number</b>	2005-005 (Continued)
<b>CFDA Title and Number</b>	Vocational Education – Basic Grants to States (Perkins III)
<b>Federal Award Number / Year</b>	20C1-2005, 20C2-2005, 20C1-2004, 20C2-2004, and 20A0-2005
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Material Weakness – Posting Expenditures Directly to Perkins Grant Fund (Continued)**

This resulted in difficulty in determining the expenditures which were being reimbursed by the method of expenditure posting. It also resulted in difficulty in determining the expenditures by object code to compare to the grant budget for monitoring of budget versus actual grant expenditures. This resulted in grant expenditures being made from one fund and going unreimbursed from the grant fund for an extended period of time and resulted in questioned costs (See Finding Numbers 2005-002, 2005-003 and 2005-006).

We recommend expenditures of federal funds be posted directly to the federal grant fund at the time the expenditures are made instead of doing reimbursement transfers, memo expenditures and/or posting corrections. We further recommend the School District reimburse a fund for expenditures only after the expenditures have been made. In addition, the School District should track and monitor federal grant expenditures by object code to ensure grant expenditures do not exceed budgeted amounts.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
--

<b>Finding Number</b>	2005-006
<b>CFDA Title and Number</b>	Vocational Education – Basic Grants to States (Perkins III)
<b>Federal Award Number / Year</b>	20A0-2005
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Reportable Condition – Use of Care in Making Posting Corrections**

The School District reimbursed the General Fund \$9,314.17 for fiscal year 2005 Project Lead the Way Expenditures by using posting corrections.

Per review of the underlying documentation, the actual expenditures were made from 001-1319-640 (General Fund – General Vocational Regular – Other Equipment) but the posting corrections were posted to 001-1319-510 (General Vocational Education – Other Supplies and Materials) and 001-1319-490 (General Fund – Other Purchase Service). Thus, we are unable to determine if these are the actual expenditures the School District intended on paying for with these grant monies. In addition, the posting corrections were not made until June 30, 2005 while the expenditures were made on October 21, 2004 and September 8, 2004. The amounts expended exceeded the amounts posted as a correction.

We recommend the School District use care in making posting corrections and post them to the appropriate line codes for the proper amounts which should be charged to the grant.

**Officials’ Response**

Officials informed us they will submit a Corrective Action Plan regarding the Federal findings to the Federal Clearinghouse.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315 (b)  
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2004-001	Noncompliance citation – Funds on deposit were not secured.	Yes	



**Auditor of State  
Betty Montgomery**

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**LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL**

**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  
JULY 18, 2006**