



Dave Yost • Auditor of State



**JEFFERSON COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Jefferson County Joint Vocational School District  
Jefferson County  
1509 County Highway 22A  
Bloomingdale, Ohio 43910

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 Jefferson County Joint Vocational School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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.

As further described in Note 3 to the basic financial statements, the District restated July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

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 Jefferson County Joint Vocational School District, Jefferson County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Government Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink, appearing to read "David Yost". The signature is written in a cursive style with a large, looping initial "D".

**David Yost**  
Auditor of State

January 20, 2011

**Jefferson County Joint Vocational School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited*

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The discussion and analysis of the Jefferson 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, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2011 are as follows:

- In total, net assets decreased \$51,317.
- General revenues accounted for \$4,363,707, in revenue or 81 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$999,774 or 19 percent of total revenues of \$5,363,481.
- Total assets of governmental activities decreased \$387,995. Current assets decreased by \$477,444 due primarily to decreased cash and cash equivalents resulting from construction costs and debt service payments for the House Bill 264 energy conservation project. Capital assets increased \$89,449 due to additions for the energy project which were offset by depreciation expense.
- The School District had \$5,414,798 in expenses related to governmental activities; only \$999,774 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$4,363,707 were not adequate to provide for these programs.
- Total governmental funds had \$5,424,964 in revenues and other financing sources and \$5,711,417 in expenditures and other financing uses. The net change in governmental fund balances, including other financing sources and uses was a decrease of \$286,453.

**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 Jefferson County Joint Vocational School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

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

**Jefferson County Joint Vocational School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2011*

*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 2011?" 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 whether, 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 considered to be Governmental Activities including instruction, support services, food service operations and debt service operations.

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

*Fund Financial Statements*

The analysis of the School District's 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 a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General 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 the reader 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.



**Jefferson County Joint Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*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 2011 compared to 2010.

**Table 1**  
**Net Assets**

	<b>Governmental Activities</b>		
	<u><b>2011</b></u>	<u><b>2010</b></u>	<u><b>Change</b></u>
<b>Assets</b>			
Current and Other Assets	\$3,068,973	\$3,546,417	(\$477,444)
Capital Assets	<u>2,968,921</u>	<u>2,879,472</u>	<u>89,449</u>
<b>Total Assets</b>	<u>6,037,894</u>	<u>6,425,889</u>	<u>(387,995)</u>
<b>Liabilities</b>			
Long-Term Liabilities	1,362,733	1,416,631	(53,898)
Other Liabilities	<u>1,976,043</u>	<u>2,258,823</u>	<u>(282,780)</u>
<b>Total Liabilities</b>	<u>3,338,776</u>	<u>3,675,454</u>	<u>(336,678)</u>
<b>Net Assets</b>			
Invested in Capital Assets	1,982,094	2,050,100	(68,006)
Restricted	145,999	144,924	1,075
Unrestricted	<u>571,025</u>	<u>555,411</u>	<u>15,614</u>
<b>Total Net Assets</b>	<u><u>\$2,699,118</u></u>	<u><u>\$2,750,435</u></u>	<u><u>(\$51,317)</u></u>

Total assets of governmental activities decreased \$387,995. As indicated previously, current assets decreased by \$477,444 primarily due to decreased cash and cash equivalents resulting from costs related to the House Bill 264 energy conservation project. Capital assets increased \$89,449 due to additions for the energy project which were offset by depreciation expense.

Total net assets of the School District's governmental activities decreased \$51,317. While the restricted and unrestricted net assets reflected little change, invested in capital assets, net of related debt decreased primary due to annual depreciation expense and was offset by capital asset additions and debt service payments.

**Jefferson County Joint Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2011 and 2010.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Change
	2011	2010	
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$353,896	\$332,768	\$21,128
Operating Grants and Contributions	645,878	641,584	4,294
<b>Total Program Revenues</b>	<b>999,774</b>	<b>974,352</b>	<b>25,422</b>
General Revenues			
Property Taxes	1,528,794	1,646,305	(117,511)
Grants and Entitlements not Restricted to Specific Programs	2,785,644	2,850,800	(65,156)
Investments	25,359	22,470	2,889
Other	23,910	51,428	(27,518)
<b>Total General Revenues</b>	<b>4,363,707</b>	<b>4,571,003</b>	<b>(207,296)</b>
<b>Total Revenues</b>	<b>5,363,481</b>	<b>5,545,355</b>	<b>(181,874)</b>
<b>Program Expenses</b>			
Instruction			
Regular	339,682	331,156	8,526
Special	226,727	223,111	3,616
Vocational	2,820,005	2,858,351	(38,346)
Adult/Continuing	3,845	10,657	(6,812)
Student Intervention	14,246	3,832	10,414
Support Services			
Pupil	194,725	156,575	38,150
Instructional Staff	306,895	364,640	(57,745)
Board of Education	35,910	39,007	(3,097)
Administration	229,823	239,497	(9,674)
Fiscal	234,801	289,539	(54,738)
Operation and Maintenance of Plant Central	777,654	646,228	131,426
Central	20,218	24,185	(3,967)
Food Service Operations	184,953	167,198	17,755
Interest and Fiscal Charges	25,314	9,257	16,057
<b>Total Expenses</b>	<b>5,414,798</b>	<b>5,363,233</b>	<b>51,565</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(51,317)</b>	<b>182,122</b>	<b>(233,439)</b>
Net Assets Beginning of Year	2,750,435	2,568,313	182,122
<b>Net Assets End of Year</b>	<b>\$2,699,118</b>	<b>\$2,750,435</b>	<b>(\$51,317)</b>

**Jefferson County Joint Vocational School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited*

In 2011, 29 percent of the School District's revenues were from property taxes and 52 percent were from unrestricted grants and entitlements. Slight increases were realized in charges for services and operating grants and contributions program revenue from fiscal year 2010.

Instructional programs comprise approximately 63 percent of total governmental program expenses, a decrease of \$22,602 from fiscal year 2010. Overall, program expenses of the School District increased by \$51,565. The largest increase being reflected in operation and maintenance of plant.

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 for 2011 and 2010. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Instruction				
Regular	\$339,682	\$331,156	\$339,682	\$331,156
Special	226,727	223,111	(15,397)	(17,211)
Vocational	2,820,005	2,858,351	2,282,276	2,349,135
Adult/Continuing	3,845	10,657	3,845	6,104
Student Intervention	14,246	3,832	14,246	3,832
Support Services				
Pupil	194,725	156,575	194,725	156,575
Instructional Staff	306,895	364,640	300,272	346,786
Board of Education	35,910	39,007	35,910	39,007
Administration	229,823	239,497	229,823	239,497
Fiscal	234,801	289,539	234,496	288,949
Operation and Maintenance of Plant	777,654	646,228	769,035	639,234
Central	20,218	24,185	9,940	5,504
Food Service Operations	184,953	167,198	(9,143)	(8,944)
Interest and Fiscal Charges	25,314	9,257	25,314	9,257
<b>Total Expenses</b>	<b>\$5,414,798</b>	<b>\$5,363,233</b>	<b>\$4,415,024</b>	<b>\$4,388,881</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent as 82 percent of expenses are supported through taxes and other general revenues.

**Jefferson County Joint Vocational School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited*

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**The School District's Funds**

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. The School District had one major fund, the General Fund. The General Fund had \$4,795,069 in revenues and \$4,740,092 in expenditures. Overall, including other financing uses, the General Fund's balance decreased \$40,348.

***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 2011 the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and final budget or final budget and actual.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2011, the School District had \$2,968,921 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles.

See Note 10 for more detailed information of the School District's capital assets.

**Table 4  
Capital Assets Net of Depreciation**

	Government Activities	
	2011	2010
Land	\$88,229	\$88,229
Construction in Progress	0	828,229
Land Improvements	45,010	51,257
Buildings and Improvements	2,553,182	1,628,184
Furniture and Equipment	282,500	282,841
Vehicles	0	0
Totals	<u>\$2,968,921</u>	<u>\$2,878,740</u>

**Jefferson County Joint Vocational School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited*

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***Debt***

At June 30, 2011, the School District had \$1,006,156 in bonds outstanding.

Table 5  
Outstanding Debt at Year End

	Governmental Activities	
	2011	2010
2010 Energy Conservation Qualified School Construction Serial Bonds	\$1,006,156	\$1,078,690

See Note 16 for more detailed information on the School District's debt.

**Economic Factors**

**Breezewood Manor Subdivision:**

The Breezewood Manor Subdivision project was fully implemented by 2003. Five parcels of land were subdivided and declared no longer needed for any school purpose and authorized for sale at public auction in accordance with the provisions of O.R.C. 3313.41.

A major expense to implement the project was the development of the subdivision. Completing the excavation and building a road to meet specifications for the township to assume responsibility for future upkeep and care, and installing county water and sewer, plus providing electrical service that meets all development requirements established by the Planning Commission was approximately \$290,000. This debt was repaid in fiscal year 2008. This project was not designed to be "for profit" and was not in competition with construction trades.

At June 30, 2010 the senior carpentry instructor retired. The Board of Education decided not to fill this position for financial reasons. The junior carpentry instructor assumed the lead in the Breezewood Manor Subdivision. House six was started as scheduled, however, will not be auctioned off in the spring of 2012 as planned but will be auctioned off in the fall instead. House 7 will be started in the spring of 2012, but it will be a two year project instead of an 18 month project.

This project has been a good recruiting tool for the "trade" classes, resulting in an increase in enrollment.

**Jefferson County Joint Vocational School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited*

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**HB 264 Energy Conservation Project:**

In September of 2009, the Board of Education entered into a Performance Contract with Johnson Control Inc. to perform building improvements in conjunction with a HB264 project. The scope of the work was split into 4 phases:

1. Lighting system improvements-replacing existing lighting, reflector kits, fixtures, motion sensors, ballasts reducing energy consumption.
2. Building envelope improvements-replacing weather stripping on 12 single, 11 double commercial and 3 over size doors, caulking and sealing of 2400 lf of exposed roof wall seam.
3. Penthouse HVAC Renovations (2)-replacing bearings, heating coils, expansion coils, and condensing units.
4. Water Conservation-replacement of lavatory faucets, urinals, water closets, shower heads and kitchen faucets and replaced to reduce water consumption.

In February, 2010 the School District received approval from the Ohio Department of Education to participate in the State Credit Enhancement Program, created under Ohio Revised Code Section 3317.18 for \$1,078,690 of Qualified School Construction Bonds. These Energy Conservation Notes, Series 2010 have a 15 year pay back schedule with a coupon rate of 2.170%. The estimated project benefits is estimated by Johnson Controls Inc. to be \$1,278,660 at the end of the 15 year period and the total principal and interest payments are estimated to be \$1,261,621 at the end of the 15 year period.

**Additional 1 Mill Levy:**

On November 8, 2011 the voters of Jefferson County defeated a 1 mill additional levy. The additional revenue is necessary to address the financial needs of the School District that were revealed in the five year forecast.

There are two primary elections in 2012, March and June. The Board of Education is currently discussing the option of continuing with the efforts of levying additional funds.

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Karen Spoonmore, Treasurer/CFO at Jefferson County Joint Vocational School District, 1509 County Highway 22A, Bloomingdale, Ohio 43910.

**Jefferson County Joint Vocational School District**

*Statement of Net Assets*

*June 30, 2011*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$151,095
Intergovernmental Receivable	2,292
Materials and Supplies Inventory	10,929
Property Taxes Receivable	1,718,500
Cash and Cash Equivalents with Fiscal Agent	1,083,453
Asset Held for Resale	83,375
Deferred Charges	19,329
Non-Depreciable Capital Assets	88,229
Depreciable Capital Assets, Net	<u>2,880,692</u>
<i>Total Assets</i>	<u>6,037,894</u>
<b>Liabilities</b>	
Accounts Payable	12,098
Accrued Wages and Benefits Payable	408,298
Intergovernmental Payable	66,235
Matured Severance Payable	4,665
Accrued Interest Payable	6,281
Claims Payable	80,867
Deferred Revenue	1,397,599
Long-Term Liabilities:	
Due Within One Year	80,580
Due In More Than One Year	<u>1,282,153</u>
<i>Total Liabilities</i>	<u>3,338,776</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,982,094
Restricted for:	
Capital Projects	86,559
Food Service Operations	29,021
Federal Programs	1,465
State Programs	13
Budget Stabilization	17,604
Other Purposes	11,337
Unrestricted	<u>571,025</u>
<i>Total Net Assets</i>	<u><u>\$2,699,118</u></u>

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$339,682	\$0	\$0	(\$339,682)
Special	226,727	0	242,124	15,397
Vocational	2,820,005	264,443	273,286	(2,282,276)
Adult/Continuing	3,845	0	0	(3,845)
Student Intervention Services	14,246	0	0	(14,246)
Support Services:				
Pupil	194,725	0	0	(194,725)
Instructional Staff	306,895	0	6,623	(300,272)
Board of Education	35,910	0	0	(35,910)
Administration	229,823	0	0	(229,823)
Fiscal	234,801	0	305	(234,496)
Operation and Maintenance of Plant	777,654	0	8,619	(769,035)
Central	20,218	0	10,278	(9,940)
Food Service Operations	184,953	89,453	104,643	9,143
Interest and Fiscal Charges	25,314	0	0	(25,314)
<i>Total Governmental Activities</i>	<u>\$5,414,798</u>	<u>\$353,896</u>	<u>\$645,878</u>	<u>(4,415,024)</u>
<b>General Revenues</b>				
				1,416,881
Property Taxes Levied for General Purposes				111,913
Property Taxes Levied for Capital Purposes				2,785,644
Grants and Entitlements not Restricted to Specific Programs				3,950
Gifts and Donations				25,359
Investment Earnings				19,960
Miscellaneous				<u>4,363,707</u>
<i>Total General Revenues</i>				<u>4,363,707</u>
Change in Net Assets				(51,317)
<i>Net Assets Beginning of Year</i>				<u>2,750,435</u>
<i>Net Assets End of Year</i>				<u><u>\$2,699,118</u></u>

See accompanying notes to the basic financial statements



**Jefferson County Joint Vocational School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$25,763	\$107,728	\$133,491
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	17,604	0	17,604
Receivables:			
Property Taxes	1,621,832	96,668	1,718,500
Intergovernmental	0	2,292	2,292
Interfund	2,292	0	2,292
Asset Held for Resale	83,375	0	83,375
Materials and Supplies Inventory	0	10,929	10,929
<i>Total Assets</i>	<u>\$1,750,866</u>	<u>\$217,617</u>	<u>\$1,968,483</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$12,098	\$0	\$12,098
Accrued Wages and Benefits Payable	380,552	27,746	408,298
Interfund Payable	0	2,292	2,292
Matured Severance Payable	4,247	418	4,665
Intergovernmental Payable	57,193	9,042	66,235
Deferred Revenue	1,497,355	90,664	1,588,019
<i>Total Liabilities</i>	<u>1,951,445</u>	<u>130,162</u>	<u>2,081,607</u>
<b>Fund Balances (Deficit)</b>			
Nonspendable:			
Inventories	0	10,929	10,929
Assets Held for Resale	83,375	0	83,375
Restricted for:			
Capital Projects	0	69,161	69,161
Budget Stabilization	17,604	0	17,604
State Programs	0	13	13
Federal Programs	0	1,465	1,465
Food Service Operations	0	18,092	18,092
Other Purposes	0	11,337	11,337
Unassigned	(301,558)	(23,542)	(325,100)
<i>Total Fund Balances (Deficit)</i>	<u>(200,579)</u>	<u>87,455</u>	<u>(113,124)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,750,866</u>	<u>\$217,617</u>	<u>\$1,968,483</u>

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2011*

<b>Total Governmental Fund Balances</b>	(\$113,124)
 <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.	2,968,921
Other long-term assets, are not available to pay for current period expenditures and therefore are deferred in the funds. Property Taxes	190,420
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.	19,329
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	1,002,586
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(6,281)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds - Serial	1,006,156
Compensated Absences	<u>356,577</u>
Total	<u>(1,362,733)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$2,699,118</u></u>

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**

*Statement of Revenues, Expenditures and Changes in Fund Balances*

*Governmental Funds*

*For the Fiscal Year Ended June 30, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$1,411,200	\$107,053	\$1,518,253
Intergovernmental	3,099,156	334,114	3,433,270
Interest	310	0	310
Tuition and Fees	247,451	0	247,451
Extracurricular Activities	16,992	0	16,992
Gifts and Donations	0	3,950	3,950
Charges for Services	0	89,453	89,453
Miscellaneous	19,960	0	19,960
<i>Total Revenues</i>	<u>4,795,069</u>	<u>534,570</u>	<u>5,329,639</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	346,208	0	346,208
Special	228,503	0	228,503
Vocational	2,507,575	268,325	2,775,900
Adult/Continuing	3,619	0	3,619
Student Intervention Services	13,152	0	13,152
Support Services:			
Pupil	196,999	0	196,999
Instructional Staff	298,426	7,084	305,510
Board of Education	35,312	0	35,312
Administration	221,969	0	221,969
Fiscal	228,288	2,840	231,128
Operation and Maintenance of Plant	649,442	80,234	729,676
Central	8,733	11,485	20,218
Food Service Operations	0	182,128	182,128
Capital Outlay	0	228,879	228,879
Debt Service:			
Principal Retirement	0	72,534	72,534
Interest and Fiscal Charges	1,866	22,491	24,357
<i>Total Expenditures</i>	<u>4,740,092</u>	<u>876,000</u>	<u>5,616,092</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	54,977	(341,430)	(286,453)
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	95,325	95,325
Transfers Out	(95,325)	0	(95,325)
Total Other Financing Sources (Uses)	<u>(95,325)</u>	<u>95,325</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(40,348)	(246,105)	(286,453)
<i>Fund Balances (Deficit) Beginning of Year - Restated (Note 3)</i>	<u>(160,231)</u>	<u>333,560</u>	<u>173,329</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>(\$200,579)</u></u>	<u><u>\$87,455</u></u>	<u><u>(\$113,124)</u></u>

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**  
*Reconciliation of the Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

**Net Change in Fund Balances - Total Governmental Funds** (\$286,453)

*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 capital outlay exceeded depreciation in the current period.

Capital Asset Additions	327,144	
Depreciation	(237,695)	
Total	89,449	89,449

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

Grants	(1,748)	
Property Taxes	10,541	
Total	8,793	8,793

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

General Obligation Bonds-Serial		72,534
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Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

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Issuance costs are reported as an expenditure when paid in governmental funds, but are allocated as an expense over the life of the outstanding debt on the statement of activities.

Amortization of Issuance Costs		(1,410)
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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.

Compensated Absences Payable		(18,636)
------------------------------	--	----------

The internal service fund used by management to charge the costs of insurance to individual funds is included in the statement of activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenues of the internal service fund are allocated among governmental activities.

83,953

*Changes in Net Assets of Governmental Activities*

(\$51,317)

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$1,464,931	\$1,443,148	\$1,443,148	\$0
Intergovernmental	3,117,392	3,099,156	3,099,156	0
Interest	318	310	310	0
Tuition and Fees	279,509	247,451	247,451	0
Extracurricular Activities	13,794	16,992	16,992	0
Miscellaneous	28,288	19,958	19,958	0
<i>Total Revenues</i>	<u>4,904,232</u>	<u>4,827,015</u>	<u>4,827,015</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	350,967	360,269	347,569	12,700
Special	231,661	237,820	227,928	9,892
Vocational	2,640,384	2,693,641	2,595,619	98,022
Adult/Continuing	3,674	3,674	3,619	55
Student Intervention Services	5,036	13,248	13,152	96
Support Services:				
Pupil	196,579	201,266	194,014	7,252
Instructional Staff	334,540	332,742	318,623	14,119
Board of Education	35,352	36,524	34,658	1,866
Administration	236,281	242,140	232,769	9,371
Fiscal	250,635	246,832	237,872	8,960
Operation and Maintenance of Plant	658,097	674,841	650,718	24,123
Central	7,908	9,981	9,981	0
<i>Total Expenditures</i>	<u>4,951,114</u>	<u>5,052,978</u>	<u>4,866,522</u>	<u>186,456</u>
Excess of Revenues Under Expenditures	<u>(46,882)</u>	<u>(225,963)</u>	<u>(39,507)</u>	<u>186,456</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	51,137	0	0	0
Advances In	0	4,000	4,000	0
Tax Anticipation Note Issued	200,000	200,000	200,000	0
Advances Out	(2,292)	(2,292)	(2,292)	0
Transfers Out	(297,191)	(297,191)	(297,191)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(48,346)</u>	<u>(95,483)</u>	<u>(95,483)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(95,228)</u>	<u>(321,446)</u>	<u>(134,990)</u>	<u>186,456</u>
<i>Fund Balance Beginning of Year</i>	92,676	92,676	92,676	0
Prior Year Encumbrances Appropriated	71,427	71,427	71,427	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$68,875</u>	<u>(\$157,343)</u>	<u>\$29,113</u>	<u>\$186,456</u>

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2011*

	Governmental Activity
	<u>Internal Service Fund</u>
<b>Current Assets</b>	
Cash and Cash Equivalents with Fiscal Agent	\$1,083,453
<b>Current Liabilities</b>	
Claims Payable	<u>80,867</u>
<b>Net Assets</b>	
Unrestricted	<u>1,002,586</u>
<i>Total Net Assets</i>	<u><u>\$1,002,586</u></u>

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2011*

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$920,913</u>
<b>Operating Expenses</b>	
Purchased Services	168,032
Claims	<u>693,977</u>
<i>Total Operating Expenses</i>	<u>862,009</u>
<i>Operating Income</i>	58,904
<b>Non-Operating Revenues</b>	
Interest	<u>25,049</u>
<i>Change in Net Assets</i>	83,953
<i>Net Assets Beginning of Year</i>	<u>918,633</u>
<i>Net Assets End of Year</i>	<u><u>\$1,002,586</u></u>

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Governmental Activity
	Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services	\$920,913
Cash Payments for Goods and Services	(168,032)
Cash Payments for Claims	(684,235)
	68,646
<b>Cash Flows from Investing Activities</b>	
Interest	25,049
	25,049
<i>Net Cash Provided by Investing Activities</i>	<i>25,049</i>
<i>Net Increase in Cash and Cash Equivalents</i>	<i>93,695</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>989,758</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$1,083,453</i>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$58,904
Increase in Liabilities:	
Claims Payable	9,742
	9,742
<i>Net Cash Provided by Operating Activities</i>	<i>\$68,646</i>

See accompanying notes to the basic financial statements



**Jefferson County Joint Vocational School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Fund*  
*June 30, 2011*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$36,843</u>
<i>Total Assets</i>	<u><u>\$36,843</u></u>
<b>Liabilities</b>	
Due to Students	<u>\$36,843</u>
<i>Total Liabilities</i>	<u><u>\$36,843</u></u>

See accompanying notes to the basic financial statements

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**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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

Jefferson County Joint Vocational School District is a joint vocational school district as defined by Section 331.18 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A vocational school exposes students to job training leading to employment upon graduation from high school. The Jefferson County Joint Vocational School District includes five members' schools throughout Jefferson County and one member school from Carroll County.

The School District operates under a nine member Board of Education and is responsible for the provision of public education to residents of the school district. The Board of Education consists of three members of the Jefferson County Educational Resource Center, two members of the Steubenville City School District and one member of Toronto City, Indian Creek Local, Buckeye Local and Edison Local School Districts.

The Jefferson County Board of Education was the sponsoring Board of Education initiating the Jefferson County Joint Vocational School District. The initial meeting of the Jefferson County Joint Vocational School District Board was held on May 6, 1970. Three levy attempts failed in 1970, 1971, and 1972. A special levy was placed on the ballot in July 1972 and passed.

Ground breaking occurred on January 26, 1974. September, 1975 the Jefferson County Joint Vocational School District opened with 375 students and 15 programs. The first senior class completed their programs in June of 1977. Currently, the District is staffed by 4 administrative employees, 19 non-certificated employees and 37 certificated personnel who provide services to 348 students and other community members.

*Reporting Entity:*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Jefferson 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.

No separate governmental units meet the criteria for inclusion as a component unit. The following activity is included within the reporting entity:

The School District participated in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), the Coalition of Rural and Appalachian Schools (CORAS), and the Educational Regional Service System Region 12 (ERSS), jointly governed organizations, the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) and the Schools of Ohio Risk Sharing Authority (SORSA), insurance purchasing pools, and the

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool. These organizations are presented in Notes 17 and 18.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

The School District's general purpose 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 primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at 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 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

## Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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### **B. Fund Accounting**

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

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

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

***Proprietary Fund Type*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, prescription drug and dental claims.

***Fiduciary Fund Type*** 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. The School District's fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts 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 (i.e., revenues) and decreases (i.e., expenses) in the 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

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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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.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

**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. Proprietary and 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. 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 60 days of fiscal year-end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees, customer sales 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, 2011, but which were levied to finance fiscal year 2012 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.

## **Jefferson County Joint Vocational School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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

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

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

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

The School District has cash with a fiscal agent held separate from the School District's central bank account. This account is maintained by the District's self-insurance third party administrator and is presented in the statement of net asset as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2011, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for at June 30, 2011.

Following Ohio statues, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$310 which includes \$267, assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

#### **F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund include amounts required by State Statute to be set aside to create a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

#### **G. Assets Held for Resale**

As an integral part of the instructional laboratory experience for the Construction Trades programs, houses are constructed on land owned by the School District for the purpose of being sold at public auction upon completion. Transactions are conducted through the School District's General Fund for reporting purposes.

During fiscal year 2004, the School District completed and sold one house, as well as completed the road and water and sewer assets that were given to the township and county respectively. During fiscal year 2005, the School District completed and sold a second house. The proceeds from the sale offset the building expenditures and asset held for resale on a modified accrual basis for the fiscal year 2005

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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activity. During fiscal year 2007, the School District completed and sold a third house. The proceeds from the sale offset the building expenditures and asset held for resale on a modified accrual basis for the fiscal year 2007 activity. During fiscal year 2008, the School District completed and sold a fourth house. The proceeds from the sale offset the building expenditures and asset held for resale on a modified accrual basis for the fiscal year 2008 activity. During fiscal year 2010, the School District completed and sold a fifth house. The proceeds from the sale offset the building expenditures and asset held for resale on a modified accrual basis for the fiscal year 2010 activity. The value of the sixth home that was partially constructed at June 30, 2011 is \$83,375 and is recorded as an asset held for resale at June 30, 2011.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**I. Inventory**

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

**J. Capital Assets**

The only capital assets of the School District are general capital assets. 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 year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. 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 are depreciated except for land. 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:

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Land Improvements	20 Years
Buildings and Improvements	10-50 Years
Furniture, Fixtures and Equipment	5-20 Years
Vehicles	5-20 Years



**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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**K. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets.

**L. 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 employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

**M. 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, and compensated absences, which 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 year. Bonds are recognized as a liability on the governmental fund financial statements when due.

On the government 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 severance payable" in the fund from which the employee will be paid.

**N. Bond Premiums, Discounts, and Issuance Costs**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the period in which the debt is issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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### **O. Interfund Activity**

Transfers within governmental activities on the government-wide statements are reported in the same manner as general revenues.

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

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

### **P. Fund Balance**

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

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

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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

**Unassigned:** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**Q. 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 local receipts restricted for student programs. Of the restricted net assets, none has 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.

**R. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting this determination are reported as non-operating.

**S. 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.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**T. 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.

**U. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

*Changes in Accounting Principles* - For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

*Restatement of Prior Year's Fund Balance* – In the prior year, the Energy Conservation Fund was reported as a major fund. As of June 30, 2011, the Energy Conservation Fund will be presented as a non-major fund. The prior year balance is presented as a reconciling item in the table below for comparability between years. Also, due to the implementation of GASB Statement No. 54, fund reclassification occurred for two funds that had previously been reported as special revenue funds and are now being

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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combined with the General Fund in accordance with the new standards. The effect of the change is as follows:

	<u>Major Funds</u>		<u>Other</u>
	<u>General</u>	<u>Energy Conservation</u>	<u>Governmental Funds</u>
Fund Balance, June 30, 2010	(\$168,284)	\$228,579	\$113,034
Energy Conservation Nonmajor Fund	0	(228,579)	228,579
Restatement, Fund Classification	8,053	0	(8,053)
Adjusted Fund Balance, June 30, 2010	<u>(\$160,231)</u>	<u>\$0</u>	<u>\$333,560</u>

**NOTE 4 – FUND DEFICIT**

At June 30, 2011, the following funds had deficit fund balances:

	<u>Deficit Fund Balance</u>
General Fund	\$200,579
Perkins Grant Fund	23,542

The deficit in the General Fund was the result of expenditures exceeding revenues as well as the application of generally accepted accounting principles. The School District will monitor future spending.

The deficit in the Perkins Grant Special Revenue Fund was the result of the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) General 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 basis are that:

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 restricted, committed, or unassigned fund balance (GAAP basis).

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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4. Transfers out that were reported from the General Fund to reflect debt service payments in the Debt Service Fund as required by the ORC (budget basis), are reflected in the General Fund (GAAP basis).
5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. Proceeds from short term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund:

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$40,348)
Revenue Accruals	31,946
Advances In	4,000
Proceeds of Note	200,000
Expenditure Accruals	(112,176)
Transfers Out	(201,866)
Advances Out	(2,292)
Encumbrances	(14,254)
Budget Basis	<u><u>(\$134,990)</u></u>

**NOTE 6 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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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;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2),
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

At June 30, 2011, the School District's internal service fund had a balance of \$1,083,453 with OME-RESA, a risk sharing, claims servicing, and insurance purchasing pool (See Note 18). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

#### 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, the full value of the School District's bank balance of \$248,915 was fully insured by the FDIC.

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

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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Investments

As of June 30, 2011, the School District had an investment in Star Ohio. The fair value of Star Ohio was \$28,403, and the investment has an average maturity of 58.3 days.

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

**Credit Risk.** STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. 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 Jefferson, Harrison, Carroll and Belmont Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.



**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

Accrued property taxes receivable represents real property, public utility property and tangible personal property taxes which were measurable as of June 30, 2011 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, 2011 was \$124,477 in the General Fund and \$6,004 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2010, was \$156,425 in the General Fund and \$7,576 in the Permanent Improvement 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 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$896,870,780	77.73%	\$901,665,770	78.31%
Public Utility Personal	256,950,650	22.27%	249,813,070	21.69%
	<u>\$1,153,821,430</u>	<u>100.00%</u>	<u>\$1,151,478,840</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$1.50		\$1.50	

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2011, consisted of property taxes, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$190,420 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	Amount
High Schools That Work Grant	<u>\$2,292</u>

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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**NOTE 9 - INTERNAL BALANCES AND TRANSFERS**

**A. Interfund Balances**

Interfund balances at June 30, 2011, consist of the following interfund receivables and payables:

	<u>Interfund</u> <u>Receivable</u>
<u>Interfund Payable</u>	<u>General Fund</u>
Other Nonmajor Governmental Funds	<u>\$2,292</u>

The loan made to Other Non-Major Governmental Funds was made to support the High Schools That Work Grant program until monies are received to finance the program.

**B. Transfers**

	<u>Transfer to</u> <u>Other</u> Nonmajor <u>Governmental</u>
<u>Transfer from</u> General Fund	<u>\$95,325</u>

The transfer from the General Fund to the Debt Service non-major governmental fund was made to provide debt service costs of the 2010 Energy Conservation Qualified School Construction Bonds.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

**NOTE 10- CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
<b>Nondepreciable Capital Assets:</b>				
Land	\$88,229	\$0	\$0	\$88,229
Construction in Progress	828,961	0	(828,961)	0
<b>Total Nondepreciable Capital Assets</b>	<b>917,190</b>	<b>0</b>	<b>(828,961)</b>	<b>88,229</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	117,111	0	0	117,111
Buildings and Improvements	5,019,550	1,057,541	0	6,077,091
Furniture and Equipment	2,348,711	98,564	0	2,447,275
Vehicles	32,030	0	0	32,030
<b>Total Depreciable Capital Assets</b>	<b>7,517,402</b>	<b>1,156,105</b>	<b>0</b>	<b>8,673,507</b>
<b>Accumulated Depreciation:</b>				
Land Improvements	(65,854)	(6,247)	0	(72,101)
Buildings and Improvements	(3,391,366)	(132,543)	0	(3,523,909)
Furniture and Equipment	(2,065,870)	(98,905)	0	(2,164,775)
Vehicles	(32,030)	0	0	(32,030)
<b>Total Accumulated Depreciation</b>	<b>(5,555,120)</b>	<b>(237,695)</b>	<b>0</b>	<b>(5,792,815)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>1,962,282</b>	<b>918,410</b>	<b>0</b>	<b>2,880,692</b>
<b>Governmental Capital Assets, Net</b>	<b>\$2,879,472</b>	<b>\$918,410</b>	<b>(\$828,961)</b>	<b>\$2,968,921</b>

Depreciation expense was charged to governmental activities as follows:

<b>Instruction:</b>	
Vocational	\$176,764
Adult/Continuing	226
<b>Support Services:</b>	
Administration	5,956
Fiscal	1,325
Operation of Maintenance and Plant	50,599
Food Service Operations	2,825
<b>Total Depreciation Expense</b>	<b>\$237,695</b>

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 11- RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011 the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) (Note 18) for property, general liability, and fleet insurance. Coverages provided are as follows:

**A. Property and Liability**

<i>Property - Including Inland Marine and Miscellaneous Equipment:</i>	
Building and Contents-replacement cost (no deductible)	\$19,263,273
<i>Crime Cover:</i>	
Employee Dishonesty	\$100,000
Forgery	\$100,000
Computer Fraud	\$100,000
Theft, Disappearance, and Destruction	\$100,000
<i>General Liability:</i>	
Each Occurance	12,000,000
Aggregated Limit	14,000,000
<i>Automobile Liability:</i>	
Owed/Leased Vehicles	12,000,000
Medical Payments - Occurance	5,000
Medical Payments - Aggregate	25,000
Uninsured Motorist	1,000,000
<i>School Boards Error and Omissions:</i>	
Each Occurance	12,000,000

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

In addition, insurance coverage through Westfield Insurance Company is provided for builders risk insurance for the housing division subdivision project at Breezewood Manor. It provides coverage for \$100,000 liability and \$1,000 inland marine with no deductibles.

**B. Worker's Compensation**

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**C. Employee Medical Benefits**

The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District’s behalf.

All employees were covered for medical/surgical, prescription drug, and dental coverage through the OME-RESA self-insured plan. The Board pays 95 percent of premiums for all certified staff and 97 percent of the premiums for the classified staff for medical/surgical, prescription drug and dental coverage. The monthly cost of premiums is \$1,078.15 for single coverage and \$2,138.66 for family coverage on medical/surgical and prescription drug coverage. The total monthly cost of the premiums for dental coverage is \$48.82 for single and \$108.16 for family coverage.

The claims liability of \$80,867 reported in the internal service fund at June 30, 2011 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2010	\$89,365	\$567,527	\$585,767	\$71,125
2011	71,125	693,977	684,235	80,867

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care Funds. The School District’s required contributions

## Jefferson County Joint Vocational School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$58,958, \$57,839, and \$42,840 respectively. For fiscal year 2011, 95.08 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

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

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, 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.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$281,326 and \$2,842 for fiscal year ended June 30, 2011, \$298,342 and \$3,014 for the fiscal year ended June 30, 2010, and \$293,422 and \$2,934 for the fiscal year ended June 30, 2009. For fiscal year 2011, 88.91 percent has been contributed for the DB Plan and 88.91 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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The School District had no members contributing to STRS Ohio for the DC Plan for fiscal year 2011. In addition, member contributions of \$15 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

**C. Social Security System**

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

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$6,942 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009, were \$7,139, \$2,270 and \$19,605 respectively. For fiscal year 2011, 95.08 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$3,794, \$3,450 and \$3,353, respectively. For fiscal year 2011, 95.08 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$22,524, \$22,342, and \$22,678 respectively. For fiscal year 2011, 88.91 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees who work 260 days per year earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

**B. Other Insurance Benefits**

The Board pays 100 percent of the premiums for life and vision coverage. Life insurance is provided through MetLife. Coverage is in the amount of \$30,000 for all certified teachers and classified employees at a total monthly premium of \$4.65 and coverage of \$50,000 for administrators at a total monthly premium of \$7.75. The School District provides vision insurance through Vision Service Plan at a cost of \$9.46 for single coverage and \$21.16 for family coverage per month.

**NOTE 15 – FUND OBLIGATION**

The School District issued a \$200,000 tax anticipation note with a 2.40 percent interest rate on February 10, 2011. The note was issued in anticipation of tax receipts and was backed by the full faith and credit of the School District. The note was repaid June 28, 2011 from General Fund tax receipts.



**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

**NOTE 16 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Outstanding 6/30/10	Additions	Deductions	Outstanding 6/30/11	Amounts Due Within One Year
<b><i>2010 Energy Conservation Qualified School Construction Bonds:</i></b>					
Serial Bonds, \$1,078,690 @ 2.170%	\$1,078,690	\$0	\$72,534	\$1,006,156	\$62,274
Compensated Absences	337,941	59,617	40,981	356,577	18,306
Total Long-Term Obligations	<u>\$1,416,631</u>	<u>\$59,617</u>	<u>\$113,515</u>	<u>\$1,362,733</u>	<u>\$80,580</u>

*2010 Energy Conservation Qualified School Construction Bonds* – On March 17, 2010, Jefferson Joint Vocational School District issued \$1,078,690 of general obligation bonds, in accordance with the American Recovery and Reinvestment Act (ARRA) of 2009 and House Bill 264. The bonds were issued to finance an energy conservation project. The bonds were issued at a 2.170 percent interest rate, for a period of fifteen years with a final maturity at September 15, 2024.

As part of the bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a rating of AA/Negative from Standard & Poor's for the bond issuance. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

Principal and Interest requirements to retire the remaining outstanding qualified school construction bonds for the 2010 Energy Conservation Bonds outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2012	\$62,274	\$21,158	\$83,432
2013	63,626	19,792	83,418
2014	65,007	18,396	83,403
2015	66,417	16,970	83,387
2016	67,858	15,514	83,372
2017-2021	362,030	54,584	416,614
2022-2025	318,944	14,026	332,970
Total	<u>\$1,006,156</u>	<u>\$160,440</u>	<u>\$1,166,596</u>

Compensated absences will be paid from the General Fund.

The School District's voted legal debt margin was \$102,626,940 with an unvoted debt margin of \$1,151,479, at June 30, 2011.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 17- JOINTLY GOVERNED ORGANIZATIONS**

**A. Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council)**

*Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council)* - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board possesses its own budgeting authority. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. The School District did not participate in the natural gas sales service program. During fiscal year 2011, the total amount paid to OME-RESA from the School District was \$6,192 for technology services and \$9,024 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

**B. Coalition of Rural and Appalachian Schools (CORAS)**

*The Coalition of Rural and Appalachian Schools (CORAS)* – The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$325 for fiscal year 2011.

**C. Educational Regional Service System Region 12 (ERSS)**

*Educational Regional Service System Region 12 (ERSS)* - The School District participates in the Educational Regional Service System Region 12, a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region),

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 N. Seventh Street, Zanesville, Ohio, 43701.

**NOTE 18– PUBLIC ENTITY POOLS**

**A. Insurance Purchasing Pool**

*Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program, 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.

*Schools of Ohio Risk Sharing Authority (SORSA)* – The School District participates in the Schools of Ohio Risk Sharing Authority, a protected self-insurance purchasing pool under the authority of Ohio Revised Code 2744. Sixty-six school districts, educational service centers and joint vocational school districts participate in the SORSA. SORSA is governed by a board of trustees elected by members. Member school districts agree to jointly participated in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public official's errors and omissions liability insurance.

**B. Risk Sharing, Claims Servicing, and Insurance Purchasing Pool**

*The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan* - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of eighty-four members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$400,000, and all claims between the deductible and the \$400,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$400,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve.

During fiscal year 2004, the Board of Education passed a resolution to maintain only the refunds from the Bureau of Workers Compensation in the budget reserve pursuant to State Statute.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Restricted Balance as of June 30, 2010	\$0	\$0	\$17,604
Current Year Set-aside Requirement	64,684	64,684	0
Current Year Offsets	0	(122,579)	0
Current Year Qualifying Expenditures	(114,045)	0	0
Totals	<u>(\$49,361)</u>	<u>(\$57,895)</u>	<u>\$17,604</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$0</u>	<u>\$0</u>	<u>\$17,604</u>
Set-aside Restricted Balance as of June 30, 2011	<u>\$0</u>	<u>\$0</u>	<u>\$17,604</u>

The School District had qualifying expenditures from the current fiscal year that reduced the textbook set-aside amount below zero. Effective July 1, 2011, House Bill 30, the "Unfunded Mandates Relief Act", eliminates the requirement that school districts annually set aside an amount per pupil into a textbook and instructional materials fund.

The School District had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside which may not be carried forward to future years. The District also had current and prior year capital expenditures from note and bond proceeds in connection with capital projects that may be carried forward to offset future set-aside requirements. The total restricted balance for the three set-asides at the end of the fiscal year was \$17,604.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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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 expenditure 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, 2011.

**B. Litigation**

The School District is currently not a party to any pending litigation.

**NOTE 21 - SUBSEQUENT EVENTS**

The Board of Education passed a resolution on May 17, 2011 to place a 1 mill levy for general operating expenses on the November 8, 2011 ballot. The levy failed.

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# Dave Yost • Auditor of State

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

Jefferson County Joint Vocational School District  
Jefferson County  
1509 County Highway 22A  
Bloomington, Ohio 43910

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 Jefferson County Joint Vocational School District, Jefferson County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2012, in which we noted the District implemented Government Accounting Standards Board Statement 54, "Fund Balance and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain noncompliance or other matters that we reported to the District's management in a separate letter dated January 20, 2011.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and others within the District. We intend it for no one other than these specified parties.



**David Yost**  
Auditor of State

January 20, 2011



**JEFFERSON COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2011-01**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.41(D)** provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

1. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the district may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid. If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education if such expenditure is otherwise valid.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The District did not certify or record the amount against the applicable appropriation accounts for 26% of tested expenditures from fiscal year 2011. The District did not properly utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations for the full amount of the expenditure could result in overspending in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, the Treasurer should certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

The District should certify the full purchase amounts to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires the authorization of disbursements. The Treasurer should sign the certification prior to incurring a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Official's Response:**

The biggest issue is not about certifying funds but about not certifying properly. Most discrepancies were related to our open purchase orders. We have purchase orders to certain vendors whom we deal with on a monthly basis; we open them for a 3 month period. Unlike the traditional school, our JVS has a lot of customer service expenditures. In order for things to be "fixed" or completed in a timely manner, our instructors have certain leeway as to what they can order when. Unfortunately, this also allows for easy mistakes when you have several invoices to one purchase order. Dates become extremely important if purchase orders are not closed properly.

We will implement a plan to close out the purchase orders as soon as the last payment of the proper month is paid rather than waiting until the end of the year. This should cut down on paying a back dated bill on the wrong purchase order. We will communicate better to the customer service staff to make sure copies of all invoices are to our office in a timelier manner so payments do not get delayed.

JEFFERSON COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
JEFFERSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-01	Ohio Revised Code Section 5705.41 (D), failure to properly encumber disbursements	No	Reissued as Finding 2011-01

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Jefferson County Joint Vocational School District  
Jefferson County  
1509 County Highway 22A  
Bloomingdale, Ohio 43910

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Jefferson County Joint Vocational School District has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated June 30, 2010, we noted the Board adopted an anti-harassment policy on January 18, 2007. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. The Board amended the policy on January 21, 2010. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

**Dave Yost**  
Auditor of State

January 20, 2012

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# Dave Yost • Auditor of State

**JEFFERSON COUNTY JOINT VOCATIONAL SCHOOL DISTRICT**

**JEFFERSON 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  
APRIL 19, 2012**