



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P. O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



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

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**STATE OF OHIO  
OFFICE OF THE AUDITOR**

**JIM PETRO, AUDITOR OF STATE**

743 East State Street  
Athens Mall Suite B  
Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lawrence County Joint Vocational School District, Lawrence County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2002 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

December 18, 2002



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**Lawrence County Joint Vocational School District**

Lawrence County, Ohio

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$891,034	\$602,046	\$847	\$235,948
Receivables:				
Taxes	1,267,901	0	0	220,128
Accounts	20,953	0	0	0
Intergovernmental	23,731	116,603	0	42,442
Interfund	80,000	109	0	0
Due from Other Funds	0	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	10,716	0	0	0
Prepaid Items	17,508	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
 <u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
 Total Assets and Other Debits	<u>\$2,311,843</u>	<u>\$718,758</u>	<u>\$847</u>	<u>\$498,518</u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$148,537	\$16,556	\$0	\$0	\$1,894,968
0	0	0	0	1,488,029
0	0	0	0	20,953
190,780	0	0	0	373,556
13,000	0	0	0	93,109
3,966	0	0	0	3,966
3,333	0	0	0	3,333
726	0	0	0	11,442
5,813	0	0	0	23,321
112,097	0	9,074,944	0	9,187,041
0	0	0	847	847
0	0	0	918,233	918,233
<u>\$478,252</u>	<u>\$16,556</u>	<u>\$9,074,944</u>	<u>\$919,080</u>	<u>\$14,018,798</u>

(Continued)

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

Lawrence County, Ohio

Combined Balance Sheet

All Fund Types and Account Groups (Continued)

June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$17,005	\$15,435	\$0	\$728
Accrued Wages and Benefits Payable	231,023	24,497	0	0
Compensated Absences Payable	75,484	0	0	0
Interfund Payable	0	66,000	0	0
Due to Other Funds	0	0	0	0
Intergovernmental Payable	19,209	9,293	0	0
Deferred Revenue	1,245,605	106,403	0	258,862
Due to Students	0	0	0	0
Notes Payable	0	0	0	0
<b>Total Liabilities</b>	<b>1,588,326</b>	<b>221,628</b>	<b>0</b>	<b>259,590</b>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings (Deficit)	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	114,418	23,532	0	5,540
Reserved for Inventory	10,716	0	0	0
Reserved for Property Tax	22,296	0	0	3,708
Unreserved:				
Designated for Capital Maintenance	35,497	0	0	0
Designated for Textbooks	4,240	0	0	0
Undesignated	536,350	473,598	847	229,680
<b>Total Fund Equity and Other Credits</b>	<b>723,517</b>	<b>497,130</b>	<b>847</b>	<b>238,928</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$2,311,843</b>	<b>\$718,758</b>	<b>\$847</b>	<b>\$498,518</b>

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

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$29,250	\$0	\$0	\$0	\$62,418
29,320	0	0	0	284,840
105,080	0	0	375,945	556,509
27,109	0	0	0	93,109
3,966	0	0	0	3,966
9,412	0	0	1,642	39,556
144,666	0	0	0	1,755,536
0	16,556	0	0	16,556
0	0	0	541,493	541,493
<u>348,803</u>	<u>16,556</u>	<u>0</u>	<u>919,080</u>	<u>3,353,983</u>
0	0	9,074,944	0	9,074,944
121,340	0	0	0	121,340
8,109	0	0	0	8,109
0	0	0	0	143,490
0	0	0	0	10,716
0	0	0	0	26,004
0	0	0	0	35,497
0	0	0	0	4,240
0	0	0	0	1,240,475
<u>129,449</u>	<u>0</u>	<u>9,074,944</u>	<u>0</u>	<u>10,664,815</u>
<u>\$478,252</u>	<u>\$16,556</u>	<u>\$9,074,944</u>	<u>\$919,080</u>	<u>\$14,018,798</u>

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

Lawrence County, Ohio  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
Property Taxes	\$1,172,677	\$0	\$0	\$209,368	\$1,382,045
Intergovernmental	2,813,523	1,075,654	0	134,853	4,024,030
Interest	69,227	0	0	0	69,227
Tuition and Fees	55,639	0	0	0	55,639
Customer Services	18,073	1,039,836	0	0	1,057,909
Miscellaneous	53,560	16,011	0	0	69,571
<b>Total Revenues</b>	<b>4,182,699</b>	<b>2,131,501</b>	<b>0</b>	<b>344,221</b>	<b>6,658,421</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	32,539	0	0	0	32,539
Vocational	2,332,847	205,677	0	0	2,538,524
Adult/Continuing	0	27,482	0	0	27,482
<b>Support Services:</b>					
Pupils	211,653	1,015,425	0	0	1,227,078
Instructional Staff	63,964	14,745	0	0	78,709
Board of Education	41,048	0	0	0	41,048
Administration	659,122	2,187	0	0	661,309
Fiscal	236,381	74,400	0	0	310,781
Operation and Maintenance of Plant	357,450	0	0	0	357,450
Central	16,424	34,087	0	0	50,511
Non-Instructional Services	0	617,535	0	0	617,535
Extracurricular Activities	22,872	0	0	0	22,872
Capital Outlay	0	0	0	193,023	193,023
<b>Debt Service:</b>					
Principal Retirement	0	0	60,896	0	60,896
Interest and Fiscal Charges	0	0	33,113	0	33,113
<b>Total Expenditures</b>	<b>3,974,300</b>	<b>1,991,538</b>	<b>94,009</b>	<b>193,023</b>	<b>6,252,870</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>208,399</b>	<b>139,963</b>	<b>(94,009)</b>	<b>151,198</b>	<b>405,551</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers - In	46,027	131,679	94,009	0	271,715
Operating Transfers - Out	(192,997)	(77,174)	0	(48,053)	(318,224)
<b>Total Other Financing Sources (Uses)</b>	<b>(146,970)</b>	<b>54,505</b>	<b>94,009</b>	<b>(48,053)</b>	<b>(46,509)</b>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>61,429</b>	<b>194,468</b>	<b>0</b>	<b>103,145</b>	<b>359,042</b>
<b>Fund Balances at Beginning of Year</b>	<b>662,662</b>	<b>302,662</b>	<b>847</b>	<b>135,783</b>	<b>1,101,954</b>
<b>Decrease in Reserve for Inventory</b>	<b>(574)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(574)</b>
<b>Fund Balances at End of Year</b>	<b>\$723,517</b>	<b>\$497,130</b>	<b>\$847</b>	<b>\$238,928</b>	<b>\$1,460,422</b>

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

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

Lawrence County, Ohio

Combined Statement of Revenues, Expenditures and Changes

in Fund Balances - Budget and Actual (Budget Basis)

All Governmental Fund Types

For the Fiscal Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$1,171,700	\$1,171,700	\$0	\$0	\$0	\$0
Intergovernmental	2,818,803	2,818,803	0	1,127,934	1,127,934	0
Interest	66,853	66,853	0	0	0	0
Tuition and Fees	49,573	49,573	0	0	0	0
Customer Services	18,073	18,073	0	1,039,836	1,039,836	0
Miscellaneous	33,029	33,029	0	16,011	16,011	0
<b>Total Revenues</b>	<b>4,158,031</b>	<b>4,158,031</b>	<b>0</b>	<b>2,183,781</b>	<b>2,183,781</b>	<b>0</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	16,351	16,351	0	0	0	0
Vocational	2,372,060	2,372,060	0	247,589	247,589	0
Adult/Continuing	0	0	0	27,482	27,482	0
<b>Support Services:</b>						
Pupils	217,261	217,261	0	1,013,048	1,013,048	0
Instructional Staff	65,142	65,142	0	17,201	17,201	0
Board of Education	45,842	45,842	0	0	0	0
Administration	610,714	610,714	0	8,500	8,500	0
Fiscal	302,213	302,213	0	73,364	73,364	0
Operation and Maintenance of Plant	394,032	394,032	0	0	0	0
Central	22,443	22,443	0	38,076	38,076	0
Non-Instructional Services	0	0	0	617,928	617,928	0
Extracurricular Activities	22,893	22,893	0	0	0	0
Capital Outlay	0	0	0	0	0	0
<b>Debt Service:</b>						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>4,068,951</b>	<b>4,068,951</b>	<b>0</b>	<b>2,043,188</b>	<b>2,043,188</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	89,080	89,080	0	140,593	140,593	0
<b>Other Financing Sources (Uses):</b>						
Operating Transfers - In	46,027	46,027	0	131,679	131,679	0
Advances - In	76,000	76,000	0	10,000	10,000	0
Operating Transfers - Out	(192,997)	(192,997)	0	(77,174)	(77,174)	0
Advances - Out	(10,000)	(10,000)	0	(46,109)	(46,109)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(80,970)</b>	<b>(80,970)</b>	<b>0</b>	<b>18,396</b>	<b>18,396</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	8,110	8,110	0	158,989	158,989	0
Fund Balances at Beginning of Year	637,257	637,257	0	347,291	347,291	0
Prior Year Encumbrances Appropriated	97,360	97,360	0	52,989	52,989	0
<b>Fund Balances at End of Year</b>	<b>\$742,727</b>	<b>\$742,727</b>	<b>\$0</b>	<b>\$559,269</b>	<b>\$559,269</b>	<b>\$0</b>

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

(Continued)



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

Lawrence County, Ohio

Combined Statement of Revenues, Expenditures and Changes

in Fund Balances - Budget and Actual (Budget Basis)

All Governmental Fund Types

For the Fiscal Year Ended June 30, 2002

(Continued)

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$0	\$0	\$0	\$209,642	\$209,642	\$0
Intergovernmental	0	0	0	138,354	138,354	0
Interest	0	0	0	0	0	0
Tuition and Fees	0	0	0	0	0	0
Customer Services	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
<b>Total Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>347,996</b>	<b>347,996</b>	<b>0</b>
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Adult/Continuing	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0	0
Central	0	0	0	0	0	0
Non-Instructional Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	274,847	274,847	0
Debt Service:						
Principal Retirement	60,896	60,896	0	0	0	0
Interest and Fiscal Charges	33,113	33,113	0	0	0	0
<b>Total Expenditures</b>	<b>94,009</b>	<b>94,009</b>	<b>0</b>	<b>274,847</b>	<b>274,847</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	(94,009)	(94,009)	0	73,149	73,149	0
<u>Other Financing Sources (Uses):</u>						
Operating Transfers - In	94,009	94,009	0	0	0	0
Advances - In	0	0	0	0	0	0
Operating Transfers - Out	0	0	0	(48,053)	(48,053)	0
Advances - Out	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>94,009</b>	<b>94,009</b>	<b>0</b>	<b>(48,053)</b>	<b>(48,053)</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	25,096	25,096	0
Fund Balances at Beginning of Year	847	847	0	109,243	109,243	0
Prior Year Encumbrances Appropriated	0	0	0	95,342	95,342	0
<b>Fund Balances at End of Year</b>	<b>\$847</b>	<b>\$847</b>	<b>\$0</b>	<b>\$229,681</b>	<b>\$229,681</b>	<b>\$0</b>

(Continued)

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

Lawrence County, Ohio

Combined Statement of Revenues, Expenditures and Changes

in Fund Balances - Budget and Actual (Budget Basis)

All Governmental Fund Types

For the Fiscal Year Ended June 30, 2002

(Continued)

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$1,381,342	\$1,381,342	\$0
Intergovernmental	4,085,091	4,085,091	0
Interest	66,853	66,853	0
Tuition and Fees	49,573	49,573	0
Customer Services	1,057,909	1,057,909	0
Miscellaneous	49,040	49,040	0
<b>Total Revenues</b>	<b>6,689,808</b>	<b>6,689,808</b>	<b>0</b>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	16,351	16,351	0
Vocational	2,619,649	2,619,649	0
Adult/Continuing	27,482	27,482	0
Support Services:			
Pupils	1,230,309	1,230,309	0
Instructional Staff	82,343	82,343	0
Board of Education	45,842	45,842	0
Administration	619,214	619,214	0
Fiscal	375,577	375,577	0
Operation and Maintenance of Plant	394,032	394,032	0
Central	60,519	60,519	0
Non-Instructional Services	617,928	617,928	0
Extracurricular Activities	22,893	22,893	0
Capital Outlay	274,847	274,847	0
Debt Service:			
Principal Retirement	60,896	60,896	0
Interest and Fiscal Charges	33,113	33,113	0
<b>Total Expenditures</b>	<b>6,480,995</b>	<b>6,480,995</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	208,813	208,813	0
<u>Other Financing Sources (Uses):</u>			
Operating Transfers - In	271,715	271,715	0
Advances - In	86,000	86,000	0
Operating Transfers - Out	(318,224)	(318,224)	0
Advances - Out	(56,109)	(56,109)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(16,618)</b>	<b>(16,618)</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	192,195	192,195	0
Fund Balances at Beginning of Year	1,094,638	1,094,638	0
Prior Year Encumbrances Appropriated	245,691	245,691	0
<b>Fund Balances at End of Year</b>	<b>\$1,532,524</b>	<b>\$1,532,524</b>	<b>\$0</b>

## Lawrence County Joint Vocational School District

Lawrence County, Ohio  
Combined Statement of Revenues,  
Expenses and Changes in Fund Equity  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2002

	<u>Enterprise</u>
<u>Operating Revenues:</u>	
Sales	\$133,637
Tuition	1,162,719
Charges for Services	451,032
Other	35,862
	<hr/>
Total Operating Revenues	1,783,250
	<hr/>
<u>Operating Expenses:</u>	
Salaries and Wages	1,380,336
Fringe Benefits	389,614
Purchased Services	246,284
Materials and Supplies	426,960
Cost of Sales	100,480
Depreciation	13,908
	<hr/>
Total Operating Expenses	2,557,582
	<hr/>
Operating Loss	(774,332)
	<hr/>
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	6,434
Operating Grants	954,367
	<hr/>
Total Non-Operating Revenues	960,801
	<hr/>
Net Income Before Operating Transfers	186,469
	<hr/>
Operating Transfers In	46,522
Operating Transfers Out	(13)
	<hr/>
Net Income	232,978
	<hr/>
Retained Earnings (Deficit) at Beginning of Year	(224,869)
	<hr/>
Retained Earnings (Deficit) at End of Year	8,109
	<hr/>
Contributed Capital at Beginning and End of Year	121,340
	<hr/>
Total Fund Equity at End of Year	\$129,449
	<hr/> <hr/>

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

**Lawrence County Joint Vocational School District**  
Lawrence County, Ohio  
Combined Statement of Revenues, Expenses and Changes in  
Fund Equity - Budget and Actual (Budget Basis)  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2002

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$129,671	\$129,671	\$0
Tuition	1,182,350	1,182,350	0
Charges for Services	438,106	438,106	0
Other	35,861	35,861	0
Operating Grants	921,179	921,179	0
<b>Total Revenues</b>	<b>2,707,167</b>	<b>2,707,167</b>	<b>0</b>
<u>Expenses:</u>			
Salaries	1,424,568	1,424,568	0
Fringe Benefits	390,233	390,233	0
Purchased Services	281,839	281,839	0
Materials and Supplies	552,671	552,671	0
Capital Outlay	18,623	18,623	0
<b>Total Expenses</b>	<b>2,667,934</b>	<b>2,667,934</b>	<b>0</b>
Excess of Revenues Over Expenses	39,233	39,233	0
Operating Transfers In	46,522	46,522	0
Advances In	109	109	0
Advances Out	(30,000)	(30,000)	0
Operating Transfers Out	(13)	(13)	0
Excess of Revenues Over Expenses, Advances and Transfers	55,851	55,851	0
Fund Equity (Deficit) at Beginning of Year	(61,483)	(61,483)	0
Prior Year Encumbrances Appropriated	70,143	70,143	0
<b>Fund Equity at End of Year</b>	<b>\$64,511</b>	<b>\$64,511</b>	<b>\$0</b>

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

**Lawrence County Joint Vocational School District**

Lawrence County, Ohio  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 For the Fiscal Year Ended June 30, 2002

	<u>Enterprise</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,785,988
Cash Payments for Employee Services and Benefits	(1,802,603)
Cash Payments for Goods and Services	<u>(762,680)</u>
Net Cash Used for Operating Activities	<u>(779,295)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	921,179
Advances In	109
Advances Out	(30,000)
Operating Transfers In	46,522
Operating Transfers Out	<u>(13)</u>
Net Cash Provided by Noncapital Financing Activities	<u>937,797</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(18,623)
Net Increase in Cash and Cash Equivalents	139,879
Cash and Cash Equivalents at Beginning of Year	<u>8,658</u>
Cash and Cash Equivalents at End of Year	<u><u>\$148,537</u></u>
Reconciliation of Operating Loss to	
<u>Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$774,332)
Depreciation Expense	13,908
Donated Commodities Used During Year	5,835
Changes in Assets and Liabilities:	
Increase in Inventory Held for Resale	(716)
Increase in Materials and Supplies	(149)
Increase in Due from Other Funds	(3,966)
Increase in Due to Other Funds	3,966
Increase in Prepays	(3,199)
Decrease in Accounts Receivable	3,770
Decrease in Intergovernmental Receivable	2,936
Increase in Accounts Payable	7,056
Increase in Accrued Salaries	936
Decrease in Compensated Absences	(35,451)
Increase in Intergovernmental Payable	<u>111</u>
Net Cash Used for Operating Activities	<u><u>(\$779,295)</u></u>
Non-Cash, Non-Capital Financing Activities:	
The Food Service Enterprise Fund received \$6,434 in Federally Donated Commodities.	

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

# Lawrence County Joint Vocational School District

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

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

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

The School District is staffed by 33 non-certificated employees, 108 certificated full-time teaching personnel and 15 administrative employees who provide services to 376 students and other community members. The School District currently operates one instructional building.

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

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

The School District participates in five organizations, two of which are defined as jointly governed organization and three as group purchasing pools. The jointly governed organizations are the South Central Ohio Computer Association and Pillasco-Ross Special Education Regional Resource Center, and the group purchasing pools are the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Lawrence County Insurance Purchasing Consortium. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

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

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

### **A. Basis of Presentation - Fund Accounting**

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

## Lawrence County Joint Vocational School District

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

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A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

### *Governmental Fund Types:*

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

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

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

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

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

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

### *Proprietary Fund Type:*

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

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

### *Fiduciary Fund Type:*

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

# Lawrence County Joint Vocational School District

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

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## *Account Groups:*

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

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

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

## **B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received with sixty day 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. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 5). 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 and rentals.

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



## Lawrence County Joint Vocational School District

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

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Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

### **C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any modifications at this level may only be made by resolution of the Board of Education.

#### *Tax Budget:*

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

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

#### *Estimated Resources:*

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

#### *Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and

## Lawrence County Joint Vocational School District

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

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the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at year end.

### *Encumbrances:*

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

### *Lapsing of Appropriations:*

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

## **D. Cash and Cash Equivalents**

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

During fiscal year 2002, the School District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$69,227, which includes \$34,888 from other School District funds.

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

## **E. Inventory**

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

## **F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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.

## Lawrence County Joint Vocational School District

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

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### **G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

### **H. Interfund Assets/Liabilities**

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

### **I. Interfund Transactions**

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

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

### **J. Compensated Absences**

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

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

### **K. Accrued Liabilities and Long-Term Obligations**

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

## Lawrence County Joint Vocational School District

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

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not to have used current available financial resources. Capital Improvement Notes are reported as a liability of the general long-term obligations account group until due.

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

### **L. Contributed Capital**

Prior to fiscal year 2001, contributed capital represented resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. Because the School District had not prepared financial statements in accordance with Generally Accepted Accounting Principles prior to 1994, the exact amount of contributed capital pertaining to prior years cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements.

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

### **M. Fund Balance Reserves**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

### **N. Designation of Fund Balance**

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

### **O. Estimates**

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

### **P. Total Columns on General Purpose Financial Statements**

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

### **NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) -

## Lawrence County Joint Vocational School District

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

Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

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

	General	Special Revenue	Capital Projects
GAAP Basis	\$61,429	\$194,468	\$103,145
Revenue Accruals	(16,715)	53,955	3,775
Unrecorded Cash	(7,953)	(1,675)	0
Expenditure Accruals	36,436	(8,696)	(75,557)
Prepays	9,267	(1,852)	0
Advances	66,000	(36,109)	0
Encumbrances	(140,354)	(41,102)	(6,267)
Budget Basis	\$8,110	\$158,989	\$25,096

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

	Enterprise
GAAP Basis	\$232,978
Revenue Accruals	(30,450)
Expense Accruals	(49,867)
Prepaid Items	3,199
Depreciation Expense	13,908
Advances	(29,891)
Encumbrances	(84,026)
Budget Basis	\$55,851

### **NOTE 4 - 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.

## Lawrence County Joint Vocational School District

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

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

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

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

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

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

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

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

# Lawrence County Joint Vocational School District

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

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

*Deposits:* At fiscal year-end, the carrying amount of the School District's deposits was \$1,894,968 and the bank balance was \$1,967,916. Of the bank balance, \$100,000 was covered by federal depository insurance and \$1,867,916 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

## **NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar fiscal year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half 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 located in the School District. Property tax revenue received during calendar year 2002 for real and public utility personal property taxes represent collections of calendar 2001 taxes. Property tax payments received during calendar year 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by state law at thirty-five percent of appraised market value.

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

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$475,831,120	79%	\$520,479,156	83%
Public Utility Personal	72,284,984	12	56,437,499	9
Tangible Personal Property	54,258,766	9	50,166,665	8
<b>Total</b>	<b>\$602,374,870</b>	<b>100%</b>	<b>\$627,083,320</b>	<b>100%</b>
Tax rate per \$1,000 of assessed valuation	\$2.90		\$2.90	

# Lawrence County Joint Vocational School District

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

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$26,004 and is recognized as revenue, \$22,296 was available to the General Fund and \$3,708 was available to the Capital Projects Fund.

## **NOTE 6 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$406,483
Less Accumulated Depreciation	(294,386)
Net fixed Assets	<u>\$112,097</u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$91,800	\$0	\$0	\$91,800
Buildings and Improvements	6,531,922	0	0	6,531,922
Furniture, Fixtures and Equipment	2,005,146	149,528	44,923	2,109,751
Vehicles	178,650	0	0	178,650
Textbooks	162,821	0	0	162,821
Total General Fixed Assets	<u>\$8,970,339</u>	<u>\$149,528</u>	<u>\$44,923</u>	<u>\$9,074,944</u>



## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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### **NOTE 7 - RECEIVABLES**

Receivables at June 30, 2002, consisted of taxes, accounts (rent and tuition), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Miscellaneous Reimbursements	<u>\$23,731</u>
Special Revenue Funds:	
Natural Resources Pilot Grant	6,000
Agriculture Pilot Grant	6,000
Dwight D. Eisenhower Grant	123
Carl D. Perkins Career Technical Grant	85,154
Carl D. Perkins Adult Education Grant	14,072
Accreditation Resource Assistance Grant	3,720
Title VI	<u>1,534</u>
Total Special Revenue Funds	<u>116,603</u>
Capital Projects Fund:	
Building Equipment Assistance Grant	<u>42,442</u>
Enterprise Funds:	
Industrial Training Grant	144,666
Adult Education Entitlement	33,188
Miscellaneous Reimbursements	<u>12,926</u>
Total Enterprise Funds	<u>190,780</u>
Total All Funds	<u><u>\$373,556</u></u>

### **NOTE 8 - 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 2002, the School District contracted with Nationwide Insurance professional and general liability insurance with a \$1,000,000 single occurrence limit and no deductible.

During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 17)

## Lawrence County Joint Vocational School District

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

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

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

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

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool (Note 17). The intent of the consortium is to achieve the benefit of a reduced health insurance premium for the School District by virtue of its grouping and representation with other participants in the consortium. Each participant pays its health insurance premium to the insurance provider. Participation in the consortium is limited to school districts that can meet the criteria outlined in the consortium's operating articles. The firm of Cross and Associates provides administrative services to the consortium.

### **NOTE 9 - DEFINED BENEFIT PENSION PLANS**

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

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$55,023, \$38,853, and \$35,880 respectively; 100 percent has been contributed for fiscal years 2002, 2001, and 2000.

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

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2001, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$373,508, \$378,868, and \$196,510, respectively; 100 percent has been contributed for fiscal years 2002, 2001, and 2000.

### **NOTE 10 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$176,925 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,722,000 and STRS had 102,132 eligible benefit recipients.

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

## Lawrence County Joint Vocational School District

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$87,704.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

### **NOTE 11 - EMPLOYEE BENEFITS**

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

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

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

The School District provides employee health insurance benefits through Medical Mutual of Ohio. Premiums for this coverage are \$989.33 for family coverage and \$399.94 for single coverage. The School District pays 52% of the family coverage premium and 100% of the single coverage premium. Vision and dental insurance are provided by Medical Benefits Mutual. Premiums for this coverage are \$29.94 single and \$92.39 family coverage. The School District pays 100% of the premium for single plans and 32% of the premium for family plans. The School District provides life insurance and accidental death and dismemberment insurance to all classified and administrative employees through Connecticut General Life Insurance Company, in the amount of \$35,000.

### **NOTE 12 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Principal Outstanding 6/30/01	Additions	Deletions	Principal Outstanding 6/30/02
2000 Capital Improvement Note - 5.5%	\$433,760	\$0	\$22,398	\$411,362
2000 Capital Improvement Note - 6.0%	168,629	0	38,498	130,131
Intergovernmental Payables	17,876	1,642	17,876	1,642
Compensated Absences	434,714	73,935	132,704	375,945
<b>Total</b>	<b>\$1,054,979</b>	<b>\$75,577</b>	<b>\$211,476</b>	<b>\$919,080</b>

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

**Lawrence County Joint Vocational School District**

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

The capital improvement notes, which consist of a heating and cooling system note and a farm note, were originally issued in the amount of \$472,471 and \$204,950 respectively. Capital Improvement Notes reported in the General Long-Term Obligations Account Group will be paid from the Debt Service Funds and are backed by the full faith and credit of the Lawrence County Joint Vocational School District. The School District's overall legal debt margin was \$56,438,346 with an unvoted debt margin of \$627,083 at June 30, 2002. Principal and interest requirements to retire the notes outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$64,490	\$29,519	\$94,009
2004	68,228	25,781	94,009
2005	72,323	21,687	94,010
2006	27,824	18,133	45,957
2007	29,375	16,581	45,956
2008-2012	173,279	56,502	229,781
2013-2015	105,974	8,916	114,890
	<u>\$541,493</u>	<u>\$177,119</u>	<u>\$718,612</u>

**NOTE 13 - INTERFUND TRANSACTIONS**

Interfund receivables and interfund payables at June 30, 2002 consist of the following individual balances:

	Receivable	Payable
General Fund	\$80,000	\$0
Special Revenue Funds:		
Career Development	0	23,700
Miscellaneous State Grants	0	10,000
Vocational Education	0	32,300
Pell Grant	109	0
Total Special Revenue Funds	109	66,000
Enterprise Fund:		
Food Service	0	14,000
Adult Education	13,000	13,109
Total Enterprise Funds	13,000	27,109
Total All Funds	<u>\$93,109</u>	<u>\$93,109</u>

At June 30, 2002, the Adult Education Enterprise Fund owed the Food Service Enterprise Fund \$3,966 which is reflected as a Due from Other Funds in the Food Service Enterprise Fund as a Due to Other Funds in the Adult Education Enterprise Fund.

**NOTE 14 – OPERATING LEASE**

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

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

The following is a schedule by years of future minimum rental payments required under the operating lease that has initial or remaining noncancelable lease terms in excess of one year as of June 30, 2002:

Fiscal Year Ending June 30,	Amounts
2003	\$14,400
2004	14,400
2005	14,400
2006	4,800
Total Minimum Payments Required	<u>\$48,000</u>

### **NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for operations of food service sales and adult education tuition. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds as of and for the fiscal year ended June 30, 2002.

	Food Service	Adult Education	Total Enterprise Funds
Operating Revenues	\$133,818	\$1,649,432	\$1,783,250
Depreciation	8,080	5,828	13,908
Operating Loss	(72,491)	(701,841)	(774,332)
Donated Commodities	6,434	0	6,434
Operating Grants	51,209	903,158	954,367
Net Operating Transfers	15,375	31,134	46,509
Net Income	527	232,451	232,978
Net Working Capital	(7,869)	130,301	122,432
Total Assets	40,573	437,679	478,252
Long Term Compensated Absences	0	105,080	105,080
Total Equity	18,860	110,589	129,449
Encumbrances, June 30, 2002	1,004	83,022	84,026

### **NOTE 16- JOINTLY GOVERNED ORGANIZATION**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The School District paid SCOCA \$8,296 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

## Lawrence County Joint Vocational School District

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

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The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross CTC, Shawnee State University, and Pike, Ross, Lawrence, and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Lawrence County Joint Vocational School District's superintendent is not currently on the SERRC Board nor is he an alternate for the SERRC Board. The fiscal agent for the SERRC is Dawson-Bryant LSD. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45663.

### **NOTE 17 - GROUP PURCHASING POOLS**

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

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

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

### **NOTE 18 - SCHOOL FUNDING COURT DECISION**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

## Lawrence County Joint Vocational School District

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 2002

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

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of as of June 30, 2001	\$0	\$0
Current Year Set-Aside Requirement	78,453	78,453
Current Year Offsets	0	(209,642)
Qualifying Disbursements	<u>(160,612)</u>	<u>(48,718)</u>
Totals	<u>(\$82,159)</u>	<u>(\$179,907)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$82,159)</u>	<u>(\$179,907)</u>
Set-Aside Reserve Balance as of June 30, 2002	<u>\$0</u>	<u>\$0</u>

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

### **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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

#### **B. Litigation**

The School District is not party to legal proceedings.



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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$	\$5,011	\$	\$4,993
National School Breakfast Program	O5-PU01	10.553	10,035		10,035	
National School Lunch Program	LL-P101	10.555	37,831		37,831	
Total U.S. Department of Agriculture - Nutrition Cluster			47,866	5,011	47,866	4,993
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Employment and Training Assistance (Carl Perkins)	20-C201	84.048	389,722		301,458	
Eisenhower Proficiency Development	MS-S101	84.281	1,105		393	
Innovative Education Program	C2-S101	84.298	626		2,200	
<i>Direct from Federal Government:</i>						
Pell Grant	N/A	84.063	610,214		605,769	
Total U.S. Department of Education			1,001,667	0	909,820	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>1,049,533</u></b>	<b><u>5,011</u></b>	<b><u>957,686</u></b>	<b><u>4,993</u></b>

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

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS, RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School District's Federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at fair market value of the commodities received and disbursed. Monies are commingled with the State grants. It is assumed federal monies are expended first. At June 30, 2002, the School District had \$341 in inventory.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

**JIM PETRO, AUDITOR OF STATE**

743 East State Street  
Athens Mall Suite B  
Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 18, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2002-10744-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider item 2002-10744-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 18, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 18, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

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Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
www.auditor.state.oh.us

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

### **Internal Control over Compliance**

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

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

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



**Jim Petro**  
Auditor of State

December 18, 2002

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2002**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Employment and Training Assistance (Carl Perkins) Grant – CFDA #84.048
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LAWRENCE COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2002  
(Continued)

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

**FINDING NUMBER 2002-10744-001**

**Reportable Condition**

**Student Activity Policy**

A student activity policy was not maintained by the School District. A student theft occurred in the DECA I Marketing vending machines during the audit period. The amount of the School District loss cannot be determined since a cash journal and invoices were not maintained. Also, inventory records were destroyed by the students. Approximately, \$188 in restitution was paid back to the School District.

We recommend the Board adopt a student activity policy outlining rules and regulations concerning all fund raisers held by the School District. Furthermore, the policy should outline the advisor's responsibilities with regards to who is liable for student activity losses if such a similar circumstance occurs.

In designing policies, the Board should refer to the Auditor of State's publication, *Guidelines for Developing Policies for Student Activity Programs*. This publication is available on the Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**3. FINDINGS FOR FEDERAL AWARDS**

None.



LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LAWRENCE COUNTY

CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 §.315 (c)  
JUNE 30, 2002

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2002-10744-001	The Treasurer intends to prepare a student activity policy for the Board to adopt.	June 30, 2002	Joyce Blazer, Treasurer





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OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT**

**LAWRENCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 4, 2003**