

Lawrence County Joint Vocational School District  
Lawrence County  
Single Audit  
For the Fiscal Year Ended June 30, 2013



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# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lawrence County Joint Vocational School District, Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lawrence County Joint Vocational School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

April 30, 2014

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**Lawrence County Joint Vocational School District**  
**Lawrence County**  
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For the Fiscal Year Ended June 30, 2013

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**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, Ohio, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General and Adult Education Funds thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2013, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinions regarding these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards expenditures, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

March 31, 2014



## Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

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The discussion and analysis of the Lawrence County Joint Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

**Key financial highlights for the fiscal year 2013 are as follows:**

- Net position of governmental activities increased \$2,241,150.
- General revenues accounted for \$8,657,792 or 54% of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$7,256,774 or 46% of total revenues of \$15,914,566.
- The School District had \$13,673,416 in expenses related to governmental activities; \$7,256,774 of these expenses was offset by program specific charges for services and sales, grants, contributions, and interest. General revenues of \$8,657,792 were adequate to provide for the rest of these programs.

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

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

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

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

#### *Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

## Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

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

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

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for multiple financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund; Adult Education Special Revenue Fund; and the Permanent Improvement and School Facilities Capital Projects Funds.

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

***Fiduciary Funds*** The School District accounts for resources held for the benefit of parties outside the government as fiduciary funds. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The School District uses accrual accounting for fiduciary funds.

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

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**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

Table 1  
Net Position

	2013	2012	Change
<b>Assets</b>			
Current and Other Assets	\$12,773,208	\$27,090,811	(\$14,317,603)
Capital Assets	22,442,211	4,565,782	17,876,429
Total Assets	<u>35,215,419</u>	<u>31,656,593</u>	<u>3,558,826</u>
<b>Liabilities</b>			
Long-term Liabilities	6,605,786	7,078,380	(472,594)
Other Liabilities	2,973,163	2,082,435	890,728
Total Liabilities	<u>9,578,949</u>	<u>9,160,815</u>	<u>418,134</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	<u>2,087,060</u>	<u>1,187,518</u>	<u>899,542</u>
<b>Net Position</b>			
Net Investment in Capital Assets	16,149,441	3,919,803	12,229,638
Restricted	5,965,613	15,862,002	(9,896,389)
Unrestricted	<u>1,434,356</u>	<u>1,526,455</u>	<u>(92,099)</u>
Total Net Position	<u>\$23,549,410</u>	<u>\$21,308,260</u>	<u>\$2,241,150</u>

The change in the makeup of assets is a result of the School District's participation in the Ohio School Facilities Program. Liabilities also increased, due to contracts and retainage payable on the building program.

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

Table 2 shows the changes in net position for the fiscal year ended June 30, 2013, and comparisons to fiscal year 2012.

Table 2  
Changes in Net Position

	2013	2012	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services and Sales	\$2,357,235	\$2,576,239	(\$219,004)
Operating Grants, Contributions and Interest	4,899,539	4,955,270	(55,731)
Total Program Revenues	<u>7,256,774</u>	<u>7,531,509</u>	<u>(274,735)</u>
General Revenues			
Property Taxes	1,954,080	1,804,815	149,265
Grants and Entitlements	6,404,440	3,521,211	2,883,229
Investment Earnings	31,620	49,610	(17,990)
Miscellaneous	267,652	321,989	(54,337)
Total General Revenues	<u>8,657,792</u>	<u>5,697,625</u>	<u>2,960,167</u>
Total Revenues	<u>15,914,566</u>	<u>13,229,134</u>	<u>2,685,432</u>
<b>Program Expenses</b>			
Instruction:			
Regular	158,770	104,943	53,827
Vocational	5,485,267	5,770,131	(284,864)
Adult/Continuing	2,251,113	2,723,654	(472,541)
Support Services:			
Pupils	370,416	381,008	(10,592)
Instructional Staff	107,523	92,972	14,551
Board of Education	64,512	59,724	4,788
Administration	948,196	980,146	(31,950)
Fiscal	782,211	601,357	180,854
Operation and Maintenance of Plant	1,099,362	684,188	415,174
Central	245,276	265,933	(20,657)
Operation of Non-Instructional Services:			
Food Service Operations	231,587	256,618	(25,031)
Community Services	1,350,914	1,567,970	(217,056)
Extracurricular Activities	38,541	45,615	(7,074)
Interest and Fiscal Charges	539,728	470,832	68,896
Total Expenses	<u>13,673,416</u>	<u>14,005,091</u>	<u>(331,675)</u>
Increase (Decrease) in Net Position	2,241,150	(775,957)	3,017,107
Net Position Beginning of Year	<u>21,308,260</u>	<u>22,084,217</u>	<u>(775,957)</u>
Net Position End of Year	<u>\$23,549,410</u>	<u>\$21,308,260</u>	<u>\$2,241,150</u>

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. The decreases in expenses are due to staff reductions necessitated by the freeze in State funding.

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2013	2013	2012	2012
<b>Program Expenses</b>				
Instruction:				
Regular	\$158,770	\$20,195	\$104,943	\$7,708
Vocational	5,485,267	3,218,124	5,770,131	3,348,506
Adult/Continuing	2,251,113	(330,657)	2,723,654	(90,763)
Support Services:				
Pupils	370,416	133,896	381,008	177,797
Instructional Staff	107,523	37,821	92,972	32,289
Board of Education	64,512	64,512	59,724	59,724
Administration	948,196	848,224	980,146	904,511
Fiscal	782,211	582,056	601,357	580,185
Operation and Maintenance of Plant	1,099,362	1,086,455	684,188	676,220
Central	245,276	195,162	265,933	229,005
Operation of Non-Instructional Services:				
Food Service Operations	231,587	(4,457)	256,618	(7,157)
Community Services	1,350,914	13,434	1,567,970	52,494
Extracurricular Activities	38,541	12,149	45,615	32,231
Interest and Fiscal Charges	539,728	539,728	470,832	470,832
<b>Total</b>	<b>\$13,673,416</b>	<b>\$6,416,642</b>	<b>\$14,005,091</b>	<b>\$6,473,582</b>

Nearly 59 percent of vocational instruction activities are supported through taxes and other general revenues. On the other hand, adult/continuing instruction activities generated \$330,657.

**The School District Funds**

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$28,049,479 and expenditures of \$31,958,966.

*General Fund* – The General Fund is the primary operating fund of the School District. At the end of 2013, unassigned fund balance was \$1,897,057, while total fund balance was \$2,123,535. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 27 percent of total General Fund expenditures, while total fund balance represents 30 percent of General Fund Expenditures. The fund balance of the School District's General Fund decreased \$157,471 during the current fiscal year. This decrease is due to operating transfers to Special Revenue funds.

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

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*Other Major Governmental Funds*

*Adult Education Fund* – The fund balance of the Adult Education Fund at June 30, 2013, is (\$94,580), an increase of \$12,795 from the prior year.

*Permanent Improvement Fund* – The fund balance of the Permanent Improvement Fund at June 30, 2013, is \$1,123,888, a decrease of \$646,212. This decrease is due mainly to the fund supporting construction efforts associated with the District's building project.

*School Facilities Fund* – The School Facilities Fund was established during fiscal year 2010 with funds from the issuance of certificates of participation in the amount of \$5,747,770. The proceeds from the sale of the certificates will be used for the School District's share under the Ohio School Facilities Program. Construction is ongoing.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2013, the School District amended its appropriations by \$1,056,493 due to extremely conservative budgeting at the beginning of the year.

The School District's ending unobligated General Fund balance was \$2,467,113.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2013, the School District had \$22,442,211 invested in land, buildings, improvements, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2013 balances compared to 2012.

Table 4  
Capital Assets  
(Net of Depreciation)

	2013	2012
Land	\$174,360	\$174,360
Land Improvements	39,399	44,902
Buildings and Improvements	1,327,220	1,421,381
Furniture and Equipment	353,194	483,195
Vehicles	14,041	22,357
Construction in Progress	20,533,997	2,419,587
Totals	<u>\$22,442,211</u>	<u>\$4,565,782</u>

See Note 10 for more information on Capital Assets.

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

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***Debt***

At June 30, 2013, the School District had the following debt outstanding:

Table 5  
Outstanding Debt, at Fiscal Year End

	2013	2012
Certificates of Participation	\$6,292,770	\$6,697,770

See Note 15 for more information on debt.

**Economic Factors**

The Lawrence County Joint Vocational School District is in a low economic growth area, so dependence on local tax revenue must be minimized.

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

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

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

*Statement of Net Position*

*June 30, 2013*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,691,793
Cash and Cash Equivalents in Segregated Accounts	804,053
Materials and Supplies Inventory	368
Intergovernmental Receivable	1,782,911
Property Taxes Receivable	2,494,083
Nondepreciable Capital Assets	20,708,357
Depreciable Capital Assets, Net	<u>1,733,854</u>
<i>Total Assets</i>	<u>35,215,419</u>
<b>Liabilities</b>	
Accounts Payable	319,350
Contracts Payable	1,109,735
Accrued Wages and Benefits Payable	471,175
Accrued Interest Payable	35,359
Matured Compensated Absences Payable	212
Accrued Vacation Leave Payable	196,828
Retainage Payable	804,053
Intergovernmental Payable	36,451
Long-Term Liabilities:	
Due within One Year	431,219
Due in More than One Year	<u>6,174,567</u>
<i>Total Liabilities</i>	<u>9,578,949</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	<u>2,087,060</u>
<b>Net Position</b>	
Net Investment in Capital Assets	16,149,441
Restricted for:	
Capital Projects	5,893,288
Other Purposes	72,325
Unrestricted	<u>1,434,356</u>
<i>Total Net Position</i>	<u><u>\$23,549,410</u></u>

See accompanying notes to the basic financial statements

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

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2013*

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
<b>Governmental Activities</b>				Governmental Activities
Instruction:				
Regular	\$158,770	\$0	\$138,575	(\$20,195)
Vocational	5,485,267	14,993	2,252,150	(3,218,124)
Adult/Continuing	2,251,113	2,063,746	518,024	330,657
Support Services:				
Pupils	370,416	0	236,520	(133,896)
Instructional Staff	107,523	0	69,702	(37,821)
Board of Education	64,512	0	0	(64,512)
Administration	948,196	0	99,972	(848,224)
Fiscal	782,211	173,446	26,709	(582,056)
Operation and Maintenance of Plant	1,099,362	0	12,907	(1,086,455)
Central	245,276	0	50,114	(195,162)
Operation of Non-Instructional Services:				
Food Service Operations	231,587	105,050	130,994	4,457
Community Services	1,350,914	0	1,337,480	(13,434)
Extracurricular Activities	38,541	0	26,392	(12,149)
Interest and Fiscal Charges	539,728	0	0	(539,728)
<b>Totals</b>	<b>\$13,673,416</b>	<b>\$2,357,235</b>	<b>\$4,899,539</b>	<b>(6,416,642)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
				1,627,070
				327,010
				6,404,440
				31,620
				267,652
				<u>8,657,792</u>
				2,241,150
				<u>21,308,260</u>
				<u>\$23,549,410</u>

See accompanying notes to the basic financial statements

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

*Balance Sheet*

*Governmental Funds*

*June 30, 2013*

	General	Adult Education	Permanent Improvement	School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$2,446,681	\$12,219	\$1,098,641	\$3,596,761	\$400,615	\$7,554,917
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	136,876	0	0	0	0	136,876
Cash and Cash Equivalents in Segregated Accounts	0	0	0	804,053	0	804,053
Receivables:						
Property Taxes	1,972,608	0	521,475	0	0	2,494,083
Intergovernmental	0	0	0	1,750,372	32,539	1,782,911
Interfund	112,929	0	0	0	0	112,929
Materials and Supplies Inventory	0	0	0	0	368	368
<i>Total Assets</i>	<u>\$4,669,094</u>	<u>\$12,219</u>	<u>\$1,620,116</u>	<u>\$6,151,186</u>	<u>\$433,522</u>	<u>\$12,886,137</u>
<b>Liabilities</b>						
Accounts Payable	\$280,393	\$35,579	\$0	\$2,824	\$554	\$319,350
Contracts Payable	0	0	0	1,107,173	2,562	1,109,735
Accrued Wages and Benefits Payable	368,453	65,602	0	0	37,120	471,175
Interfund Payable	0	0	0	0	112,929	112,929
Matured Compensated Absences Payable	212	0	0	0	0	212
Retainage Payable	0	0	0	804,053	0	804,053
Intergovernmental Payable	23,202	5,618	0	300	7,331	36,451
<i>Total Liabilities</i>	<u>672,260</u>	<u>106,799</u>	<u>0</u>	<u>1,914,350</u>	<u>160,496</u>	<u>2,853,905</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	1,646,566	0	440,494	0	0	2,087,060
Unavailable Revenue	226,733	0	55,734	1,750,372	3,801	2,036,640
<i>Total Deferred Inflows of Resources</i>	<u>1,873,299</u>	<u>0</u>	<u>496,228</u>	<u>1,750,372</u>	<u>3,801</u>	<u>4,123,700</u>
<b>Fund Balances</b>						
Nonspendable	0	0	0	0	368	368
Restricted	136,876	0	1,123,888	2,486,464	407,911	4,155,139
Committed	81,637	0	0	0	0	81,637
Assigned	7,965	0	0	0	0	7,965
Unassigned	1,897,057	(94,580)	0	0	(139,054)	1,663,423
<i>Total Fund Balances (Deficits)</i>	<u>2,123,535</u>	<u>(94,580)</u>	<u>1,123,888</u>	<u>2,486,464</u>	<u>269,225</u>	<u>5,908,532</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$4,669,094</u>	<u>\$12,219</u>	<u>\$1,620,116</u>	<u>\$6,151,186</u>	<u>\$433,522</u>	<u>\$12,886,137</u>

See accompanying notes to the basic financial statements

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

*Reconciliation of Total Governmental Fund Balances to*

*Net Position of Governmental Activities*

*June 30, 2013*

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<b>Total Governmental Fund Balances</b>		<b>\$5,908,532</b>
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,442,211
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	282,467	
Grants	<u>1,754,173</u>	2,036,640
Accrued Vacation Leave Payable is recognized for earned vacation benefits that are to be used within one year but are not recognized on the balance sheet until due.		(196,828)
Interest payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.		(35,359)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Certificates of Participation	(6,292,770)	
Sick Leave Benefits Payable	<u>(313,016)</u>	<u>(6,605,786)</u>
Net Position of Governmental Activities		<u><u>\$23,549,410</u></u>

See accompanying notes to the basic financial statements

**Lawrence County Joint Vocational School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General	Adult Education	Permanent Improvement	School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$1,632,071	\$0	\$271,276	\$0	\$0	\$1,903,347
Intergovernmental	5,239,249	690,269	5,436	14,939,895	2,614,776	23,489,625
Investment Earnings	0	0	31,620	0	0	31,620
Tuition and Fees	9,198	2,062,358	0	0	0	2,071,556
Charges for Services	179,241	1,388	0	0	105,050	285,679
Miscellaneous	149,241	65,839	0	0	52,572	267,652
<i>Total Revenues</i>	<u>7,209,000</u>	<u>2,819,854</u>	<u>308,332</u>	<u>14,939,895</u>	<u>2,772,398</u>	<u>28,049,479</u>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	37,446	0	0	0	117,863	155,309
Vocational	4,932,597	4,140	26,177	0	367,603	5,330,517
Adult/Continuing	0	2,228,734	0	0	0	2,228,734
Support Services:						
Pupils	62,906	0	0	0	295,115	358,021
Instructional Staff	36,911	627	0	0	69,985	107,523
Board of Education	62,481	0	0	0	0	62,481
Administration	609,181	350,242	19,339	0	18,668	997,430
Fiscal	680,164	114,911	8,375	0	0	803,450
Operation and Maintenance of Plant	654,612	55,531	0	463,473	0	1,173,616
Central	25,486	215,610	0	0	0	241,096
Operation of Non-Instructional Services:						
Food Service Operations	0	0	0	0	228,628	228,628
Community Services	0	0	0	0	1,350,914	1,350,914
Extracurricular Activities	11,884	0	0	0	26,657	38,541
Capital Outlay	0	0	0	16,665,702	1,367,492	18,033,194
Debt Service:						
Principal Retirement	0	0	405,000	0	0	405,000
Interest and Fiscal Charges	0	0	122,844	0	321,668	444,512
<i>Total Expenditures</i>	<u>7,113,668</u>	<u>2,969,795</u>	<u>581,735</u>	<u>17,129,175</u>	<u>4,164,593</u>	<u>31,958,966</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>95,332</u>	<u>(149,941)</u>	<u>(273,403)</u>	<u>(2,189,280)</u>	<u>(1,392,195)</u>	<u>(3,909,487)</u>
<b>Other Financing Sources</b>						
Transfers In	0	162,736	0	0	462,876	625,612
Transfers Out	(252,803)	0	(372,809)	0	0	(625,612)
<i>Total Other Financing Sources (Uses)</i>	<u>(252,803)</u>	<u>162,736</u>	<u>(372,809)</u>	<u>0</u>	<u>462,876</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(157,471)</u>	<u>12,795</u>	<u>(646,212)</u>	<u>(2,189,280)</u>	<u>(929,319)</u>	<u>(3,909,487)</u>
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>2,281,006</u>	<u>(107,375)</u>	<u>1,770,100</u>	<u>4,675,744</u>	<u>1,198,544</u>	<u>9,818,019</u>
<i>Fund Balances (Deficits) End of Year</i>	<u>\$2,123,535</u>	<u>(\$94,580)</u>	<u>\$1,123,888</u>	<u>\$2,486,464</u>	<u>\$269,225</u>	<u>\$5,908,532</u>

See accompanying notes to the basic financial statements

**Lawrence County Joint Vocational School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013*

**Net Change in Fund Balances - Total Governmental Funds** (\$3,909,487)

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

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

Capital Asset Additions	18,182,615	
Depreciation Expense	<u>(306,186)</u>	17,876,429

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

Delinquent Property Taxes	50,733	
Grants	<u>(12,185,646)</u>	(12,134,913)

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

405,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

(95,216)

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

Accrued Vacation Leave Payable	31,743	
Sick Leave Benefits Payable	<u>67,594</u>	<u>99,337</u>

*Change in Net Position of Governmental Activities*

\$2,241,150

See accompanying notes to the basic financial statements

**Lawrence County Joint Vocational School District, Ohio***Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)**General Fund**For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$1,706,358	\$1,727,122	\$1,727,122	\$0
Intergovernmental	4,899,449	5,239,249	5,239,249	0
Tuition and Fees	13,000	9,198	9,198	0
Charges for Services	0	5,795	5,795	0
Miscellaneous	135,500	145,016	145,016	0
<i>Total Revenues</i>	<u>6,754,307</u>	<u>7,126,380</u>	<u>7,126,380</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Vocational	4,155,965	4,845,259	4,845,259	0
Support Services:				
Pupils	125,792	74,978	74,978	0
Instructional Staff	31,200	36,802	36,802	0
Board of Education	26,246	63,181	63,181	0
Administration	744,431	580,731	580,731	0
Fiscal	495,749	339,756	339,756	0
Operation and Maintenance of Plant	61,440	662,628	662,628	0
Central	25,000	27,450	27,450	0
Extracurricular Activities	0	11,884	11,884	0
<i>Total Expenditures</i>	<u>5,665,823</u>	<u>6,642,669</u>	<u>6,642,669</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	1,088,484	483,711	483,711	0
<b>Other Financing Uses</b>				
Transfers Out	<u>(353,769)</u>	<u>(433,416)</u>	<u>(433,416)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	734,715	50,295	50,295	0
<i>Fund Balance Beginning of Year</i>	2,333,634	2,333,634	2,333,634	0
Prior Year Encumbrances Appropriated	<u>83,184</u>	<u>83,184</u>	<u>83,184</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,151,533</u>	<u>\$2,467,113</u>	<u>\$2,467,113</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

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

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

*Adult Education Fund*

*For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$2,500,000	\$690,269	\$690,269	\$0
Tuition and Fees	500	2,062,358	2,062,358	0
Charges for Services	0	1,388	1,388	0
Miscellaneous	10,000	65,839	65,839	0
<i>Total Revenues</i>	<u>2,510,500</u>	<u>2,819,854</u>	<u>2,819,854</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Vocational	0	4,140	4,140	0
Adult/Continuing	2,510,857	2,230,576	2,230,576	0
Support Services:				
Instructional Staff	0	627	627	0
Administration	10,000	368,845	368,845	0
Fiscal	0	114,885	114,885	0
Operation and Maintenance of Plant	1,070	57,893	57,893	0
Central	808	215,976	215,976	0
<i>Total Expenditures</i>	<u>2,522,735</u>	<u>2,992,942</u>	<u>2,992,942</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	(12,235)	(173,088)	(173,088)	0
<b>Other Financing Sources</b>				
Transfers In	916	162,736	162,736	0
<i>Net Change in Fund Balance</i>	(11,319)	(10,352)	(10,352)	0
<i>Fund Balance Beginning of Year</i>	(20,900)	(20,900)	(20,900)	0
Prior Year Encumbrances Appropriated	22,736	22,736	22,736	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$9,483)</u>	<u>(\$8,516)</u>	<u>(\$8,516)</u>	<u>\$0</u>

See accompanying notes to the basic financial statements



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

*Statement of Assets and Liabilities*

*Agency Funds*

*June 30, 2013*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$36,506</u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$36,506</u>

See accompanying notes to the basic financial statements

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

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

The School District is staffed by 37 classified employees, 129 certificated full-time teaching personnel, and 14 administrative employees who provide services to 434 students and other community members. The School District currently operates one instructional building.

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

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

The School District participates in five organizations, two of which are defined as jointly governed organizations and three as insurance purchasing pools. The jointly governed organizations are the South Central Ohio Computer Association and the Coalition of Rural and Appalachian Schools. The insurance purchasing pools are the Ohio School Plan, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Lawrence County Schools Council of Governments Health Benefits Program. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the stand-alone government, except for the fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

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

**B. Fund Accounting**

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

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

**General Fund** The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred according to the general laws of Ohio.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

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

**School Facilities Fund** The School Facilities Capital Projects Fund accounts for transactions related to constructing, improving, and equipping School District buildings with the assistance of the Ohio School Facilities Commission.

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

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

**C. Measurement Focus**

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

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

**D. Basis of Accounting**

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

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

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

**Deferred Outflows/Inflows of Resources** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

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

During fiscal year 2013, 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. The School District Board of Education has allocated interest earned on interim funds to the Permanent Improvement Fund. Interest revenue credited to the Permanent Improvement Fund during fiscal year 2013 amounted to \$31,620, including \$15,266 allocated from other funds.

The School District has segregated bank accounts for retainage held for its construction project. These accounts are presented as "cash and cash equivalents in segregated accounts."

***F. Inventory***

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

***G. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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Description	Governmental Activities Estimated Lives
Land Improvements	20 years
Buildings and Improvements	30-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

***H. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets include amounts required by statute to be set-aside by the School District for capital improvements and cash held as retainage for contractors. See Note 19 for additional information regarding set-asides.

***I. Compensated Absences***

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

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

The entire compensated absences liability is reported on the government-wide financial statements.

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However,

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Certificates of participation that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

***K. Interfund Activity***

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

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

***L. Interfund Balances***

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

***M. Fund Balance***

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

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

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

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the



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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or State statute.

**Unassigned:** The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

***N. Net Position***

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include music and athletic programs and local, federal, and state grants restricted to expenditure for specified purposes.

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

***O. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The School District did not report either type of transaction for the year ended June 30, 2013.

***P. Estimates***

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

***Q. Budgetary Process***

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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control selected by the School District Board of Education. The legal level of control has been established by the Board of Education at the fund level. The School District Treasurer has been given the authority to allocate appropriations among functions and objects within all funds.

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at fiscal year end.

**Note 3 - Changes in Accounting Principles**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements;" Statement No. 61, "Accounting and Financial Reporting Entity: Omnibus;" Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements;" Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position;" Statement No. 65, "Items Previously Reported as Assets and Liabilities;" and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and the financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the District's financial statements.

**Note 4 - Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

		Adult	Permanent	School	Other	
Fund Balances	General	Education	Improvements	Facilities	Governmental	Total
					Funds	
<b><u>Nonspendable:</u></b>						
Inventory	\$0	\$0	\$0	\$0	\$368	\$368
<b><u>Restricted for:</u></b>						
Food Service	0	0	0	0	5,535	5,535
Vocational Education	0	0	0	0	31,037	31,037
Entry Year	0	0	0	0	1,754	1,754
District Managed Activities	0	0	0	0	512	512
Career Development	0	0	0	0	4,197	4,197
Remedial Reading	0	0	0	0	22,567	22,567
Capital Improvements	136,876	0	1,123,888	2,486,464	342,309	4,089,537
<i>Total Restricted</i>	136,876	0	1,123,888	2,486,464	407,911	4,155,139
<b><u>Committed to:</u></b>						
Employee Health Benefits	81,637	0	0	0	0	81,637
<b><u>Assigned to:</u></b>						
Student Activities	7,965	0	0	0	0	7,965
Unassigned:	1,897,057	(94,580)	0	0	(139,054)	1,663,423
<i>Total Fund Balances</i>	<b>\$2,123,535</b>	<b>(\$94,580)</b>	<b>\$1,123,888</b>	<b>\$2,486,464</b>	<b>\$269,225</b>	<b>\$5,908,532</b>

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

**Note 5 - Fund Deficits**

The following funds had deficit fund balances as of June 30, 2013:

	Deficit
Adult Education	\$94,580
Other Governmental Funds:	
Vocational Fund	35,990
Pell Grant Fund	753
Miscellaneous Federal Grants	19,209
Bond Retirement	83,102

The General Fund is liable for the deficits in the special revenue funds and provides operating transfers when cash is required, not when accruals occur.

**Note 6 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as an assignment or commitment or restriction of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund, as well as the major Special Revenue Fund.

	Net Change in Fund Balance	
	General	Adult Education
GAAP Basis	(\$157,471)	\$12,795
Revenue Accruals	65,840	0
Expenditure Accruals	181,221	(2,412)
Perspective Difference	4,897	0
Encumbrances	(44,192)	(20,735)
Budget Basis	<u>\$50,295</u>	<u>(\$10,352)</u>

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**Note 7 - Deposits and Investments**

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

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

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

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

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

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

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the entire amount of the School District's bank balance of \$8,529,717 was either covered by the Federal Deposit Insurance Corporation or collateralized with pooled securities held by the pledging financial institution in the manner described below.

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

**Note 8 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

The amount available as an advance at June 30, 2013, was \$99,309 to the General Fund and \$25,247 to the Permanent Improvement Capital Projects Fund. The amount available as an advance to the General Fund at June 30, 2012, was \$194,360.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$693,028,180	79%	\$697,508,640	79%
Public Utility Personal	100,389,570	12%	99,875,670	12%
General Business Personal	80,746,810	9%	84,356,800	9%
<b>Total</b>	<b>\$874,164,560</b>	<b>100%</b>	<b>\$881,741,110</b>	<b>100%</b>
Tax rate per \$1,000 of assessed valuation	\$2.40		\$2.90	

**Note 9 - Receivables**

Receivables at June 30, 2013, consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except for property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of principal items of intergovernmental receivables follows:

	School Facilities	Other Governmental Funds
Intergovernmental Receivables		
Vocational Education	\$0	\$3,801
Adult Basic Literacy Education	0	28,738
Ohio School Facilities Program	1,750,372	0
<b>Total Intergovernmental Receivable</b>	<b>\$1,750,372</b>	<b>\$32,539</b>

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/2012	Additions	Deductions	Balance 6/30/2013
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$174,360	\$0	\$0	\$174,360
Construction in Progress	2,419,587	18,114,410	0	20,533,997
Total Capital Assets not being Depreciated	2,593,947	18,114,410	0	20,708,357
Depreciable Capital Assets:				
Land Improvements	663,436	0	0	663,436
Buildings and Improvements	6,489,422	3,990	0	6,493,412
Furniture and Equipment	2,378,281	64,215	0	2,442,496
Vehicles	235,913	0	0	235,913
Total Capital Assets being Depreciated	9,767,052	68,205	0	9,835,257
Less Accumulated Depreciation				
Land Improvements	(618,534)	(5,503)	0	(624,037)
Buildings and Improvements	(5,068,041)	(98,151)	0	(5,166,192)
Furniture and Equipment	(1,895,086)	(194,216)	0	(2,089,302)
Vehicles	(213,556)	(8,316)	0	(221,872)
Total Accumulated Depreciation	(7,795,217)	(306,186) *	0	(8,101,403)
Total Capital Assets being Depreciated, Net	1,971,835	(237,981)	0	1,733,854
Capital Assets, Net	\$4,565,782	\$17,876,429	\$0	\$22,442,211

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

Instruction:	
Regular	\$2,794
Vocational	250,884
Adult Education	29,566
Support Services:	
Board of Education	2,031
Administration	7,961
Fiscal	1,380
Operation and Maintenance of Plant	4,476
Central	4,491
Operation of Non-Instructional Services:	
Food Service Operations	2,603
Total Depreciation Expense	\$306,186



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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**Note 11 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracted with Trident Risk Control Services for automobile and property coverage and commercial umbrella liability coverage for the period July 1, 2012 through June 30, 2013.

The types and amounts of coverage are as follows:

General Liability:	
Each Occurrence	\$1,000,000
Damage to Rented Premises	500,000
Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	3,000,000
Personal Injury	1,000,000
Excess Liability:	
Each Occurrence	5,000,000
Aggregate Limit	5,000,000
Employer's Liability:	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Building and Business Personal Property Coverage (\$1,000 deductible)	25,423,178
Automobile Liability (\$1,000 deductible for buses; \$500 for other)	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.

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

For fiscal year 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control, and actuarial services to the GRP.

**Note 12 - Employee Benefits**

***A. Compensated Absences***

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

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

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

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

Health insurance is provided by Anthem Blue Cross/Blue Shield. Premiums for this coverage are \$1,611.44 for family coverage and \$652.40 for single coverage per month. The School District pays 81.9% of the family coverage premium and 95% of the single coverage premium for administrators, adult education teachers, and non-certified staff.

Vision insurance is provided by The Guardian. Premiums for this coverage are \$8.85 single and \$19.03 family coverage per month. The School District pays 100% of the premium for single plans and 47% of the premium for family plans.

Dental insurance is provided by The Guardian. Premiums for this coverage are \$21.50 single and \$74.51 family coverage per month. The School District pays 100% of the premium for single plans and 29% of the premium for family plans.

**Note 13 - Defined Benefit Pension Plans**

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and

## Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$85,077, \$113,566, and \$118,173, respectively. The full amount has been contributed for fiscal years 2013, 2012, and 2011.

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

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$693,289 and \$57,807 for the fiscal year ended June 30, 2013, \$738,935 and \$52,054 for the fiscal year ended June 30, 2012, and \$667,192 and \$51,772 for the fiscal year ended June 30, 2011. The full amount has been contributed for fiscal years 2013, 2012, and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$52,119 made by the School District and \$37,228 for the defined contribution portion of the Combined Plan.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 14 - Postemployment Benefits**

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$13,437 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$14,452, \$18,355, and \$29,281, respectively. The full amount has been contributed for all three fiscal years.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District’s contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$4,806, \$6,707, and \$7,605, respectively. The full amount has been contributed for fiscal years 2013, 2012, and 2011.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$53,330, \$56,841, and \$53,749, respectively. The full amount has been contributed for fiscal years 2013, 2012, and 2011.

**Note 15 - Long-Term Obligations**

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

	Principal Outstanding 6/30/2012	Additions	Reductions	Principal Outstanding 6/30/2013	Amounts Due in One Year
<b>Governmental Activities</b>					
QSCB COPs 2010 Series A - 4.90%	\$950,000	\$0	\$405,000	\$545,000	\$425,000
QSCB COPs 2010 Series B - 7.02%	5,747,770	0	0	5,747,770	0
Sick Leave Benefits	380,610	36,754	104,348	313,016	6,219
Total Governmental Activities					
Long-Term Liabilities	<u>\$7,078,380</u>	<u>\$36,754</u>	<u>\$509,348</u>	<u>\$6,605,786</u>	<u>\$431,219</u>

Sick leave benefits will be paid from the funds from which the employees’ salaries are paid, which are the General Fund and the Food Service and Adult Education Special Revenue Funds.

**2010 Certificates of Participation** - On May 27, 2010, the School District issued \$7,312,770 in Qualified School Construction Bonds Certificates of Participation (QSCB COPs), for use in upgrading existing facilities. The issuance included the local share of the Ohio School Facilities Vocational Facilities Assistance Program, as well as locally funded initiatives associated with this program. A summary of the COPs is as follows:

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

**Series A** - \$1,565,000 COPs issued for use in upgrading existing facilities, as the locally funded initiative portion of the Ohio School Facilities Vocational Facilities Assistance Program. This portion of the debt included issuance costs of \$30,012, which will be amortized over the life of the Series A COPs. The Series A COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code, and have been designated to be “qualified tax exempt obligations” within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to PS & W Holding Company, Inc., and then subleased back to the School District. The Series A COPs were issued through a series of annual leases with an initial lease term of one month which includes the right to renew for sixteen successive one-year terms through June 30, 2026, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments for a period of five years, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 4.90%.

**Series B** – \$5,747,770 COPs issued for use in upgrading existing facilities, as the local portion of the Ohio School Facilities Vocational Facilities Assistance Program. This portion of the debt included issuance costs of \$106,553, which will be amortized over the life of the Series B COPs. The Series B COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to PS & W Holding Company, Inc., and then subleased back to the School District. The COPs were issued through a series of annual leases with an initial lease term of one month which includes the right to renew for sixteen successive one-year terms through June 30, 2026, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments for a period of sixteen years, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 7.02%. As part of the ARRA act of 2009, issuers of QSCBs are eligible to receive direct payments from the federal government which offset interest payments on the bonds. As an alternate, QSCBs may be issued as tax credit bonds under which bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer’s interest cost. The School District, under agreement with the federal government, has chosen to receive a thirty-five percent semi-annual direct payment from the federal government to help offset interest expense on the Series B QSCB COPs.

The School District has the option to purchase the Project Facilities on any Lease Payment Date by paying the amount necessary to defease the Indenture.

Annual base rent requirements to retire certificates of participation outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30	Series A Principal	Series A Interest	Series B Principal	Series B Interest	Series B ARRA Subsidy	Total
2014	\$425,000	\$16,292	\$0	\$403,493	(\$317,277)	\$527,508
2015	120,000	2,940	327,770	391,989	(308,230)	534,469
2016	0	0	455,000	364,514	(286,626)	532,888
2017	0	0	465,000	332,221	(261,234)	535,987
2018	0	0	470,000	299,403	(235,428)	533,975
2019-2023	0	0	2,460,000	987,363	(776,388)	2,670,975
2024-2026	0	0	1,570,000	166,374	(130,824)	1,605,550
<b>Total</b>	<b>\$545,000</b>	<b>\$19,232</b>	<b>\$5,747,770</b>	<b>\$2,945,357</b>	<b>(\$2,316,007)</b>	<b>\$6,941,352</b>

The overall debt margin of the School District as of June 30, 2013, was \$79,356,700, with an unvoted debt margin of \$881,741.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

**Note 16 - Transfers and Interfund Balances**

Interfund receivables and payables at June 30, 2013, consist of the following individual balances, representing monies advanced to funds to be repaid when grant funds or other program revenues are received, and for services rendered by one fund for another:

	Interfund Receivable	Interfund Payable
General Fund	\$112,929	\$0
Other Governmental Funds		
Pell Grant	0	1,969
ABLE	0	8,347
Career Development	0	305
Miscellaneous Federal Grants	0	19,206
Bond Retirement Fund	0	83,102
Total Other Governmental Funds	0	112,929
Total All Funds	\$112,929	\$112,929

During fiscal year 2013, the following operating transfers were made to subsidize the various programs of the School District:

	Transfers In	Transfers Out
General Fund	\$0	\$252,803
Adult Education	162,736	0
Permanent Improvement	0	372,809
Other Governmental Funds:		
High Schools That Work	1,964	0
Vocational Education	87,062	0
Improving Teacher Quality	1,041	0
Local Funding Initiative Fund	372,809	0
Total Other Governmental Funds	462,876	0
Total All Funds	\$625,612	\$625,612

**Note 17 - Jointly Governed Organizations**

**South Central Ohio Computer Association (SCOCA)** is a jointly governed organization among public school districts within the boundaries of Gallia, Vinton, Highland, Adams, Pike, Scioto, Brown, Pickaway, Jackson, Ross, and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eleven participating counties and one representative from the fiscal agent. Revenues are generated from an annual fee of \$2.00 per student to participating districts, State

## Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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funding, and charges for additional services to participating districts. Lawrence County Joint Vocational School District paid \$72,383 for services provided during fiscal year 2013. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

The **Coalition of Rural and Appalachian Schools** is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$227 for fiscal year 2013. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

### **Note 18 - Insurance Purchasing Pools**

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

The School District participates in the **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 plan. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the plan.

The School District participates in the **Lawrence County Schools Council of Governments Health Benefits Program (Council)**, a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a council, which consists of the superintendent from each participating school district. The council elects officers for one-year terms to serve on the Board of Directors. The council exercises control over the operation of the council. All council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the council. Each school district reserves the right to withdraw from the plan.



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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

If this is done, no further contributions will be made and the school district will be distributed their net pooled share and all claims submitted by covered members of the school district after the distribution will be exclusively the liability of the school district.

**Note 19 - Set Asides**

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

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

	<u>Capital Improvements</u>
Set-Aside Balance as of June 30, 2012	\$98,887
Current Year Set-Aside Requirement	100,876
Qualifying Disbursements	(62,887)
Totals	<u>\$136,876</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$136,876</u>
Set-Aside Balance as of June 30, 2013	<u>\$136,876</u>

**Note 20 – Contractual Commitments**

During fiscal years 2013, the School District awarded several contracts relating to its school facilities project. Contractual commitments outstanding at June 30, 2013, are as follows:

Project	Contract Amount	Paid as of 6/30/2013	Contract Remaining
Architect	\$1,418,996	\$1,248,717	\$170,279
Asbestos Abatement	156,909	111,909	45,000
Combined GTC	8,799,925	6,555,266	2,244,659
Construction Manager	3,766,799	3,251,141	515,658
Electric	5,770,270	4,757,998	1,012,272
Plumbing and HVAC	1,750,198	1,466,049	284,149
Kitchen Equipment	650,000	453,914	196,086
Additional Renovation	80,101	34,732	45,369
Fire Protection	355,596	311,404	44,192
Roofing	1,381,663	1,264,230	117,433
	<u>\$24,130,457</u>	<u>\$19,455,360</u>	<u>\$4,675,097</u>

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**Note 21 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

***B. Litigation***

The School District is currently party to legal proceedings. However, it is the opinion of management that such proceedings will not have a material adverse effect, if any, on the School District's overall financial position.

**Lawrence County Joint Vocational School District**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2013*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$32,016	\$0	\$32,016	\$0
National School Lunch Program	3L60	10.555	83,846	12,040	83,846	12,040
Total Child Nutrition Cluster			115,862	12,040	115,862	12,040
<b>Total United States Department of Agriculture</b>			<b>115,862</b>	<b>12,040</b>	<b>115,862</b>	<b>12,040</b>
<b>United States Department of Education</b>						
<i>Direct from the Federal Agency</i>						
Student Financial Aid Cluster:						
Federal Direct Student Loans	N	84.268	0	2,061,824	0	2,061,824
Federal Pell Grant Program	N	84.063	1,355,584	0	1,355,584	0
Total Student Financial Aid Cluster			1,355,584	2,061,824	1,355,584	2,061,824
Rural Education	N	84.358	53,174	0	53,174	0
<i>Passed through the Ohio Department of Education</i>						
Career and Technical Education-Basic Grants to States	3L90	84.048	579,404	0	517,946	0
Adult Education-Basic Grants to States	3120	84.002	222,809	0	209,050	0
Improving Teacher Quality State Grants	3Y60	84.367	0	0	1,041	0
Race to the Top - ARRA	3FD0	84.395	2,100	0	2,100	0
<b>Total United States Department of Education</b>			<b>2,213,071</b>	<b>2,061,824</b>	<b>2,138,895</b>	<b>2,061,824</b>
<b>Total Federal Financial Assistance</b>			<b>\$2,328,933</b>	<b>\$2,073,864</b>	<b>\$2,254,757</b>	<b>\$2,073,864</b>

N - direct award.

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

**Lawrence County Joint Vocational School District**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 1 – Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Note 2 – Guaranteed Student Loans**

Non-monetary assistance is reported in the schedule at the dollar amount of guaranteed student loans disbursed.

**Note 3 – Child Nutrition Cluster**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 31, 2014, wherein we noted the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency and which is described in the accompanying schedule of findings and questioned costs as item 2013-1.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matter that are required to be reported under *Government Auditing Standards*.

### **School District's Response to Finding**

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

March 31, 2014

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Independent Auditor's Report

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

**Report on Compliance for Each Major Federal Program**

We have audited Lawrence County Joint Vocational School District's (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2013. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the School District's major federal program based on our audit of the types of compliance requirements referred to above. 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

March 31, 2014



**Lawrence County Joint Vocational School District**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Fiscal Year Ended June 30, 2013*

**Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>	
Type of financial statement opinion:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No
Identification of major program(s):	Student Financial Aid Cluster: Federal Direct Student Loans (CFDA #84.268) and Federal Pell Grant Program (CFDA #84.063)
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**Section II – Financial Statement Findings**

**Finding 2013-1 – Significant Deficiency – Financial Reporting**

A monitoring system by the School District should be in place to prevent or detect misstatements for the accurate presentation of the School District’s financial statements. Various errors were identified in the financial statements of the School District. Certain errors were deemed significant enough to requiring correction within the financial statements. Other errors identified in the financial statements were aggregated and deemed immaterial by auditors and management, and therefore correction within the financial statements was waived. The School District should implement additional operating and monitoring procedures to ensure transactions are properly recorded and reported and that identified errors are timely identified and properly resolved.

*Client Response:*

These misstatements should have been corrected during the preparation of the compilation report.

**Section III – Federal Award Findings and Questioned Costs**

None

**Lawrence County Joint Vocational School District**

*Schedule of Prior Audit Findings*

*OMB Circular A-133 Section .315(b)*

*For the Fiscal Year Ended June 30, 2013*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
Finding 2012-1	Significant Deficiency – Bank Reconciliations	No	Partially corrected. Reissued in management letter.
Finding 2012-2	Significant Deficiency – Financial Reporting and Schedule of Federal Awards Expenditures	No	Reissued as Finding 2013-1
Finding 2012-3	Noncompliance Citation – Appropriations in Excess of Estimated Resources	No	Partially corrected. Reissued in management letter.

**Independent Accountant's Report on Applying Agreed-Upon Procedure**

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

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on January 24, 2011 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

March 31, 2014

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# Dave Yost • Auditor of State

**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  
MAY 13, 2014**