



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, Ohio, as of June 30, 2006, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General and Adult Education Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

May 25, 2007

Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited*

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, 2006. 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 2006 are as follows:

- Net assets of governmental activities increased \$1,072,286.
- General revenues accounted for \$4,963,767 or 45% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions, and interest accounted for \$5,969,783 or 55% of total revenues of \$10,933,550.
- The School District had \$9,861,264 in expenses related to governmental activities; \$5,969,783 of these expenses was offset by program specific charges for services, operating grants, contributions, and interest. General revenues of \$4,963,767 were adequate to provide for the rest of these programs.
- The School District has three major funds; the General Fund, the Adult Education Special Revenue Fund, and the Permanent Improvement Capital Projects Fund. The General Fund had \$6,165,262 in revenues and \$5,373,497 in expenditures. The General Fund's balance increased \$598,644. The Adult Education Fund had \$2,337,731 in revenues and \$2,731,818 in expenditures. The Adult Education Fund's balance decreased \$265,819. The Permanent Improvement Fund had \$686,965 in revenues and \$133,426 in expenditures. The Permanent Improvement Fund's balance increased \$592,273.

Using this Annual Financial Report

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

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

Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited*

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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, 2006
Unaudited*

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 compared to 2005.

Table 1
Net Assets

	Governmental Activities		
	2006	Restated 2005 (See Note 3)	Change
Assets			
Current and Other Assets	\$7,570,190	\$6,949,450	\$620,740
Capital Assets	2,718,118	2,448,722	269,396
Total Assets	<u>10,288,308</u>	<u>9,398,172</u>	<u>890,136</u>
Liabilities			
Long-term Liabilities	680,767	661,023	19,744
Other Liabilities	1,987,940	2,189,834	(201,894)
Total Liabilities	<u>2,668,707</u>	<u>2,850,857</u>	<u>(182,150)</u>
Net Assets			
Invested in Capital Assets, Net of Debt	2,436,682	2,134,611	302,071
Restricted	1,893,866	1,295,927	597,939
Unrestricted	<u>3,289,053</u>	<u>3,116,777</u>	<u>172,276</u>
Total Net Assets	<u><u>\$7,619,601</u></u>	<u><u>\$6,547,315</u></u>	<u><u>\$1,072,286</u></u>

Total assets increased \$890,136 due to an increase in cash offset by a reduction in accounts receivable and intergovernmental receivables. Total liabilities decreased \$182,150, primarily due to a decrease in accrued wages and benefits, as well as a decrease in deferred revenue, offset by an increase in compensated absences payable.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006, and comparisons to fiscal year 2005.

Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited*

Table 2
Changes in Net Assets

	Governmental Activities		
	2006	Restated 2005 (See Note 3)	Change
Revenues			
Program Revenues			
Charges for Services	\$1,739,885	\$2,019,590	(\$279,705)
Operating Grants, Contributions and Interest	4,229,898	4,268,504	(38,606)
Capital Grants and Contributions	0	26,265	(26,265)
Total Program Revenues	5,969,783	6,314,359	(344,576)
General Revenues			
Property Taxes	1,728,060	1,579,789	148,271
Grants and Entitlements	2,778,848	2,732,845	46,003
Investment Earnings	51,815	221,442	(169,627)
Miscellaneous	405,044	345,855	59,189
Total General Revenues	4,963,767	4,879,931	83,836
Total Revenues	10,933,550	11,194,290	(260,740)
Program Expenses			
Instruction:			
Regular	122,840	83,512	39,328
Vocational	3,619,530	3,588,055	31,475
Adult/Continuing	1,858,030	1,971,799	(113,769)
Support Services:			
Pupils	87,026	68,260	18,766
Instructional Staff	140,968	167,021	(26,053)
Board of Education	55,166	86,987	(31,821)
Administration	1,545,433	1,397,709	147,724
Fiscal	440,688	371,073	69,615
Operation and Maintenance of Plant	784,436	667,330	117,106
Pupil Transportation	8,082	0	8,082
Central	193,735	104,210	89,525
Operation of Non-Instructional Services:			
Food Service Operations	254,207	220,997	33,210
Community Services	703,161	846,057	(142,896)
Extracurricular Activities	19,645	21,378	(1,733)
Interest and Fiscal Charges	28,317	19,106	9,211
Total Expenses	9,861,264	9,613,494	247,770
Increase in Net Assets	1,072,286	1,580,796	(508,510)
Net Assets Beginning of Year	6,547,315	4,966,519	1,580,796
Net Assets End of Year	\$7,619,601	\$6,547,315	\$1,072,286

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

Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited*

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
Program Expenses				
Instruction:				
Regular	\$122,840	\$5,382	\$83,512	(\$3,036)
Vocational	3,619,530	1,582,951	3,588,055	1,639,812
Adult/Continuing	1,858,030	(299,055)	1,971,799	51,428
Support Services:				
Pupils	87,026	87,026	68,260	68,260
Instructional Staff	140,968	55,266	167,021	30,120
Board of Education	55,166	55,166	86,987	74,096
Administration	1,545,433	1,280,356	1,397,709	505,281
Fiscal	440,688	440,688	371,073	348,763
Operation and Maintenance of Plant	784,436	497,630	667,330	538,210
Pupil Transportation	8,082	8,082	0	0
Central	193,735	107,634	104,210	14,831
Operation of Non-Instructional Services:				
Food Service Operations	254,207	22,064	220,997	(13,113)
Community Services	703,161	329	846,057	3,999
Extracurricular Activities	19,645	19,645	21,378	21,378
Interest and Fiscal Charges	28,317	28,317	19,106	19,106
Total	\$9,861,264	\$3,891,481	\$9,613,494	\$3,299,135

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 23% of instruction activities are supported through taxes and other general revenues. The increases in expenses are due to employees receiving a 4 percent increase to their salaries for fiscal year 2006.

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 \$10,940,795 and expenditures of \$10,129,318.

General Fund – The General Fund is the primary operating fund of the School District. At the end of 2006, unreserved fund balance was \$3,712,580, while total fund balance was \$3,893,912. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 69 percent of total General Fund expenditures, while total fund balance represents 72 percent of General Fund Expenditures. The fund balance of the School District's General Fund increased \$598,644 during the current fiscal year. The key factor in this increase is an increase in cash due to revenues continuing to exceed expenditures.

Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited*

Other Major Governmental Funds

Adult Education Fund – The fund balance of the Adult Education Fund at June 30, 2006 is (\$250,232), a decrease of \$265,819 from the prior year. This decrease is due to the School District offering new programs in fiscal year 2006 which have not generated revenues to cover startup costs.

Permanent Improvement Fund – The fund balance of the Permanent Improvement Fund at June 30, 2006 is \$1,584,868, an increase of \$592,273. This increase is due mainly to an increase in revenues and revenues exceeding expenditures.

General Fund Budgeting Highlights

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

During the course of fiscal year 2006, the School District amended its General Fund budget, but not significantly.

For the General Fund, budget basis revenue of \$6,113,129 equaled final estimates, which were below original estimates of \$6,235,088. Of this \$121,959 difference, most was due to overestimating intergovernmental revenues.

The School District's ending unobligated General Fund balance was \$3,690,829.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$2,718,118 invested in land, buildings, improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2006 balances compared to 2005.

Table 4		
Capital Assets		
(Net of Depreciation)		
	Governmental Activities	
	2006	Restated 2005 (See Note 3)
Land	\$109,260	\$109,260
Land Improvements	70,314	75,685
Buildings and Improvements	1,712,113	1,819,196
Furniture and Equipment	813,977	427,566
Vehicles	12,454	17,015
Totals	\$2,718,118	\$2,448,722

See Note 9 for more information on Capital Assets.

Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited*

Debt

At June 30, 2006, the School District had the following debt outstanding:

Table 5
Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Capital Leases Payable	\$39,302	\$8,738
Capital Improvement Note	242,134	305,373
Total	<u>\$281,436</u>	<u>\$314,111</u>

See Notes 14 and 15 for more information on debt.

Economic Factors

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

Contacting the School District's Financial Management

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

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Lawrence County Joint Vocational School District, Ohio

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,774,864
Intergovernmental Receivable	156,867
Prepaid Items	8,621
Materials and Supplies Inventory	2,778
Property Taxes Receivable	1,627,060
Nondepreciable Capital Assets	109,260
Depreciable Capital Assets, Net	<u>2,608,858</u>
<i>Total Assets</i>	<u>10,288,308</u>
Liabilities	
Accounts Payable	86,545
Accrued Wages and Benefits Payable	246,947
Accrued Interest Payable	15,057
Vacation Benefits Payable	278,769
Deferred Revenue	1,265,841
Intergovernmental Payable	94,781
Long-Term Liabilities:	
Due within One Year	112,899
Due in More than One Year	<u>567,868</u>
<i>Total Liabilities</i>	<u>2,668,707</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,436,682
Restricted for:	
Capital Projects	1,616,965
Debt Service	848
Other Purposes	276,053
Unrestricted	<u>3,289,053</u>
<i>Total Net Assets</i>	<u><u>\$7,619,601</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, 2006

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Revenue and Changes in Net Assets
			Governmental Activities	
Governmental Activities				
Instruction:				
Regular	\$122,840	\$0	\$117,458	(\$5,382)
Vocational	3,619,530	46,985	1,989,594	(1,582,951)
Adult/Continuing	1,858,030	1,570,457	586,628	299,055
Support Services:				
Pupils	87,026	0	0	(87,026)
Instructional Staff	140,968	0	85,702	(55,266)
Board of Education	55,166	0	0	(55,166)
Administration	1,545,433	0	265,077	(1,280,356)
Fiscal	440,688	0	0	(440,688)
Operation and Maintenance of Plant	784,436	0	286,806	(497,630)
Pupil Transportation	8,082	0	0	(8,082)
Central	193,735	0	86,101	(107,634)
Operation of Non-Instructional Services:				
Food Service Operations	254,207	122,443	109,700	(22,064)
Community Services	703,161	0	702,832	(329)
Extracurricular Activities	19,645	0	0	(19,645)
Interest and Fiscal Charges	28,317	0	0	(28,317)
Totals	\$9,861,264	\$1,739,885	\$4,229,898	(3,891,481)
General Revenues				
Property Taxes Levied for:				
General Purposes				1,366,005
Capital Outlay				362,055
Grants and Entitlements not Restricted to Specific Programs				2,778,848
Investment Earnings				51,815
Miscellaneous				405,044
<i>Total General Revenues</i>				<u>4,963,767</u>
<i>Change in Net Assets</i>				1,072,286
<i>Net Assets Beginning of Year - Restated (Note 3)</i>				<u>6,547,315</u>
<i>Net Assets End of Year</i>				<u><u>\$7,619,601</u></u>

See accompanying notes to the basic financial statements

Lawrence County Joint Vocational School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2006*

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,837,312	\$24,318	\$1,570,280	\$342,954	\$5,774,864
Receivables:					
Property Taxes	1,406,331	0	220,729	0	1,627,060
Intergovernmental	0	142,067	0	14,800	156,867
Interfund Receivable	301,900	0	0	0	301,900
Prepaid Items	1,386	6,533	0	702	8,621
Materials and Supplies Inventory	0	0	0	2,778	2,778
<i>Total Assets</i>	<u>\$5,546,929</u>	<u>\$172,918</u>	<u>\$1,791,009</u>	<u>\$361,234</u>	<u>\$7,872,090</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$68,197	\$7,344	\$0	\$11,004	\$86,545
Accrued Wages and Benefits Payable	246,947	0	0	0	246,947
Interfund Payable	0	287,500	0	14,400	301,900
Deferred Revenue	1,307,515	117,232	206,141	10,000	1,640,888
Intergovernmental Payable	30,358	11,074	0	53,349	94,781
<i>Total Liabilities</i>	<u>1,653,017</u>	<u>423,150</u>	<u>206,141</u>	<u>88,753</u>	<u>2,371,061</u>
Fund Balances					
Reserved for Encumbrances	82,516	15,890	0	33,983	132,389
Reserved for Property Taxes	98,816	0	14,588	0	113,404
Unreserved, Undesignated, Reported in:					
General Fund	3,712,580	0	0	0	3,712,580
Special Revenue Funds (Deficit)	0	(266,122)	0	237,650	(28,472)
Debt Service Fund	0	0	0	848	848
Capital Projects Funds	0	0	1,570,280	0	1,570,280
<i>Total Fund Balances (Deficit)</i>	<u>3,893,912</u>	<u>(250,232)</u>	<u>1,584,868</u>	<u>272,481</u>	<u>5,501,029</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,546,929</u>	<u>\$172,918</u>	<u>\$1,791,009</u>	<u>\$361,234</u>	<u>\$7,872,090</u>

See accompanying notes to the basic financial statements

Lawrence County Joint Vocational School District, Ohio

Reconciliation of Total Governmental Fund Balances to

Net Assets of Governmental Activities

June 30, 2006

Total Governmental Fund Balances		\$5,501,029
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,718,118
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	247,815	
Grants	<u>127,232</u>	375,047
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but are not recognized on the balance sheet until due.		(278,769)
Interest payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.		(15,057)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Capital Leases Payable	(39,302)	
Energy Conservation Bonds Payable	(242,134)	
Sick Leave Benefits Payable	<u>(399,331)</u>	<u>(680,767)</u>
Net Assets of Governmental Activities		<u><u>\$7,619,601</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, 2006

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,365,511	\$0	\$362,835	\$0	\$1,728,346
Intergovernmental	4,404,603	750,408	24,090	1,583,810	6,762,911
Investment Earnings	0	0	287,743	0	287,743
Tuition and Fees	33,397	1,164,407	0	0	1,197,804
Charges for Services	13,588	422,916	0	122,443	558,947
Miscellaneous	348,163	0	12,297	44,584	405,044
<i>Total Revenues</i>	<u>6,165,262</u>	<u>2,337,731</u>	<u>686,965</u>	<u>1,750,837</u>	<u>10,940,795</u>
Expenditures					
Current:					
Instruction:					
Regular	1,038	0	0	121,054	122,092
Vocational	3,374,981	0	36,939	387,279	3,799,199
Adult/Continuing	0	1,840,963	0	73,864	1,914,827
Support Services:					
Pupils	85,065	0	0	0	85,065
Instructional Staff	56,016	0	0	83,781	139,797
Board of Education	51,295	0	0	0	51,295
Administration	691,647	716,364	1,678	77,469	1,487,158
Fiscal	413,503	10,428	6,444	5,214	435,589
Operation and Maintenance of Plant	632,004	26,750	88,365	49,836	796,955
Pupil Transportation	8,082	0	0	0	8,082
Central	40,221	92,935	0	56,273	189,429
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	252,691	252,691
Community Services	0	0	0	703,161	703,161
Extracurricular Activities	19,645	0	0	0	19,645
Debt Service:					
Principal Retirement	0	39,436	0	63,239	102,675
Interest and Fiscal Charges	0	4,942	0	16,716	21,658
<i>Total Expenditures</i>	<u>5,373,497</u>	<u>2,731,818</u>	<u>133,426</u>	<u>1,890,577</u>	<u>10,129,318</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>791,765</u>	<u>(394,087)</u>	<u>553,539</u>	<u>(139,740)</u>	<u>811,477</u>
Other Financing Sources (Uses)					
Inception of Capital Lease	0	70,000	0	0	70,000
Transfers In	16,827	58,797	38,734	132,059	246,417
Transfers Out	(209,948)	(529)	0	(35,940)	(246,417)
<i>Total Other Financing Sources (Uses)</i>	<u>(193,121)</u>	<u>128,268</u>	<u>38,734</u>	<u>96,119</u>	<u>70,000</u>
<i>Net Change in Fund Balance</i>	598,644	(265,819)	592,273	(43,621)	881,477
<i>Fund Balances Beginning of Year</i>	<u>3,295,268</u>	<u>15,587</u>	<u>992,595</u>	<u>316,102</u>	<u>4,619,552</u>
<i>Fund Balances(Deficit) End of Year</i>	<u>\$3,893,912</u>	<u>(\$250,232)</u>	<u>\$1,584,868</u>	<u>\$272,481</u>	<u>\$5,501,029</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, 2006*

Net Change in Fund Balances - Total Governmental Funds \$881,477

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

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

Capital Asset Additions	497,607	
Depreciation Expense	(228,211)	269,396

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

Grants	9,907	
Tuition and Fees	(16,866)	
Delinquent Taxes	(286)	(7,245)

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

Capital Improvement Note	63,239	
Capital Lease	39,436	102,675

The inception of a capital lease is reported as an other financing source in the governmental funds, but increases long-term liabilities on the statement of net assets. (70,000)

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. (6,659)

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

Vacation Benefits Payable	(44,939)	
Sick Leave Benefits Payable	(52,419)	(97,358)

Change in Net Assets of Governmental Activities \$1,072,286

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,300,000	\$1,313,378	\$1,313,378	\$0
Intergovernmental	4,592,288	4,404,603	4,404,603	0
Tuition and Fees	30,000	33,397	33,397	0
Charges for Services	5,700	13,588	13,588	0
Miscellaneous	307,100	348,163	348,163	0
<i>Total Revenues</i>	<u>6,235,088</u>	<u>6,113,129</u>	<u>6,113,129</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	14,505	8,286	8,286	0
Vocational	3,005,451	3,533,594	3,533,594	0
Support Services:				
Pupils	110,845	88,208	88,208	0
Instructional Staff	43,338	58,758	58,758	0
Board of Education	46,064	50,018	50,018	0
Administration	482,997	692,732	692,732	0
Fiscal	323,348	424,142	424,142	0
Operation and Maintenance of Plant	554,046	638,468	638,468	0
Pupil Transportation		8,082	8,082	0
Central	28,096	45,871	45,871	0
Extracurricular Activities	21,242	20,137	20,137	0
<i>Total Expenditures</i>	<u>4,629,932</u>	<u>5,568,296</u>	<u>5,568,296</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,605,156</u>	<u>544,833</u>	<u>544,833</u>	<u>0</u>
Other Financing Sources (Uses)				
Transfers In	75,000	16,827	16,827	0
Transfers Out	(168,690)	(209,948)	(209,948)	0
Advances Out		(176,900)	(176,900)	0
Refund of Prior Year Expenditures	5,000			0
<i>Total Other Financing Sources (Uses)</i>	<u>(88,690)</u>	<u>(370,021)</u>	<u>(370,021)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,516,466	174,812	174,812	0
<i>Fund Balance Beginning of Year</i>	3,359,927	3,359,927	3,359,927	0
Prior Year Encumbrances Appropriated	156,090	156,090	156,090	0
<i>Fund Balance End of Year</i>	<u>\$5,032,483</u>	<u>\$3,690,829</u>	<u>\$3,690,829</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, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$763,000	\$755,585	\$755,585	\$0
Tuition and Fees	1,309,941	1,251,425	1,251,425	0
Charges for Services	301,863	398,081	398,081	0
<i>Total Revenues</i>	<u>2,374,804</u>	<u>2,405,091</u>	<u>2,405,091</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Vocational	4,250	0	0	0
Adult/Continuing	1,785,938	1,915,827	1,915,827	0
Support Services:				
Administration	691,040	757,624	757,624	0
Fiscal	11,600	10,428	10,428	0
Operation and Maintenance of Plant	27,550	25,871	25,871	0
Central	4,004	97,725	97,725	0
<i>Total Expenditures</i>	<u>2,524,382</u>	<u>2,807,475</u>	<u>2,807,475</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(149,578)</u>	<u>(402,384)</u>	<u>(402,384)</u>	<u>0</u>
Other Financing Sources				
Transfers In	100,000	58,797	58,797	0
Advances In	0	162,500	162,500	0
Transfers Out	0	(529)	(529)	0
<i>Total Other Financing Sources</i>	<u>100,000</u>	<u>220,768</u>	<u>220,768</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(49,578)</u>	<u>(181,616)</u>	<u>(181,616)</u>	<u>0</u>
<i>Fund Balance Beginning of Year</i>	116,234	116,234	116,234	0
Prior Year Encumbrances Appropriated	68,914	68,914	68,914	0
<i>Fund Balance End of Year</i>	<u>\$135,570</u>	<u>\$3,532</u>	<u>\$3,532</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Lawrence County Joint Vocational School District, Ohio

Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,739</u>
Liabilities	
Due to Students	<u>\$4,739</u>

See accompanying notes to the basic financial statements

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Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 1 - Description of the School District and Reporting Entity

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

The School District is staffed by 35 classified employees, 139 certificated full-time teaching personnel, and 10 administrative employees who provide services to 535 students and other community members. The School District currently operates one instructional building.

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

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

The School District participates in five organizations, three of which are defined as jointly governed organizations and two as insurance purchasing pools. The jointly governed organizations are the South Central Ohio Computer Association, the Coalition of Rural and Appalachian Schools, and Pilasco-Ross Special Education Regional Resource Center, and the insurance purchasing pools are the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

A. Basis of Presentation

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

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

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

B. Fund Accounting

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

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

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

General Fund The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

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

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

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

Lawrence County Joint Vocational School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

During fiscal year 2006, investments were limited to a nonnegotiable time deposit, which is reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. The School District Board of Education has approved interest earned on interim funds to be transferred to the Permanent Improvement Fund. Interest revenue credited to the Permanent Improvement

Fund during fiscal year 2006 amounted to \$287,743, of which \$4,269 was assigned from other funds.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

G. Inventory

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

H. Capital Assets

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

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

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

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

Lawrence County Joint Vocational School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

I. Compensated Absences

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

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.

J. Accrued Liabilities and Long-term Obligations

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

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

K. Interfund Activity

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

L. Fund Balance Reserves

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

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

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants restricted to expenditure for specified purposes. The government-wide statement of net assets reports \$1,893,866 of restricted net assets. Of the restricted net assets, none have resulted from enabling legislation.

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

N. Extraordinary and Special Items

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

O. Estimates

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

P. Budgetary Process

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

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

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

The appropriation resolution is subject to amendment by the School District Board of Education 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 School District Board of Education during the fiscal year. Prior to June 30, the School District Board of Education passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at year end.

Note 3 - Changes in Accounting Principles and Restatement of Net Assets

Changes in Accounting Principles - For the fiscal year ended June 30, 2006, the School District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" and GASB Statement No. 47, "Accounting for Termination Benefits."

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 47 establishes accounting standards for termination benefits. The implementation of this statement had no effect on the financial statements.

Restatement of Net Assets – The School District contracted with Valuation Engineers, Inc. to perform annual revaluation services as of June 30, 2006. This resulted in a net decrease in capital assets of \$569,266. This correction had the following impact on net assets:

	Net Assets
Net Assets at 6/30/05, as previously reported	\$7,116,581
Capital Asset Revaluation	(569,266)
Net Assets, at 6/30/05, restated	<u>\$6,547,315</u>

Note 4 – Accountability and Compliance

Accountability

The Adult Education Special Revenue Fund had a deficit fund balance at June 30, 2006, of \$250,232. The General Fund is liable for this deficit and provides operating transfers when cash is required, not when accruals occur.

Compliance

The School District was not in compliance for their Vocational Education Basic Grants to States (Perkins III) with 20 U.S.C. Section 2353(b)(1) which provides that in any academic year that a local education agency does not obligate all of the amounts it is allocated under the Secondary, and Postsecondary and Adult Vocational Education programs for that year, it must return the unobligated amounts to the State to be reallocated under the Secondary, Postsecondary, and Adult Vocational Education Program.

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For the Fiscal Year Ended June 30, 2006*

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

The School District was not in compliance for their Vocational Education Basic Grants to States (Perkins III) with the Ohio Department of Education's (ODE) Career Technical and Adult Education Application Assurances, item 6, which provides the School District will make reports to ODE as may be reasonably necessary to enable ODE to perform its duties. The reports shall be completed and submitted in accordance with the standards and procedures designated by ODE and shall be supported by appropriate documentation. Actual expenditures authorized by the approved project application and charges to the project special cost centers are to be reported.

The School District was not in compliance for their Vocational Education Basic Grants to States (Perkins III) with the Carl D. Perkins Vocational and Technical Education Act of 1998 (Perkins III), section 311(a) and U.S.C. Section 2391(a) which indicates the state and its subgrantees may use funds for vocational and technical education activities that shall supplement, and not supplant, non-Federal funds expended to carry out vocational and technical education activities and tech-prep activities.

Note 5 - Budgetary Basis of Accounting

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

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

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For the Fiscal Year Ended June 30, 2006*

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

Net Change in Fund Balance

	<u>General</u>	<u>Adult Education</u>
GAAP Basis	\$598,644	(\$265,819)
Revenue Accruals	(52,133)	(2,640)
Inception of Capital Lease	0	70,000
Beginning of Year:		
Prepaid Items	18,048	4,796
End of Year:		
Prepaid Items	(1,386)	(6,533)
Expenditure Accruals	(64,978)	(123,134)
Advances In	0	162,500
Advances Out	(176,900)	0
Encumbrances	(146,483)	(20,786)
Budget Basis	<u>\$174,812</u>	<u>(\$181,616)</u>

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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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) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$5,776,649 of the School District's bank balance of \$5,876,649 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Note 7 - Property Taxes

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

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Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005, and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property tax) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lawrence County. The County Auditor periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006, was \$98,816 in the General Fund and \$14,588 in the Permanent Improvements Capital Projects Fund. The amount available as an advance at June 30, 2005, was \$46,683 in the General Fund and \$6,826 in the Permanent Improvements Capital Projects Fund.

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

Lawrence County Joint Vocational School District, Ohio

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For the Fiscal Year Ended June 30, 2006*

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$616,847,290	85%	\$532,796,370	74%
Public Utility Personal	59,582,600	8%	94,740,650	13%
Tangible Personal Property	49,019,329	7%	89,450,150	13%
Total	<u>\$725,449,219</u>	<u>100%</u>	<u>\$716,987,170</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$2.90		\$2.90	

Note 8 - Receivables

Receivables at June 30, 2006, 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 are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Special Revenue Funds:	
Adult Education	\$142,067
Carreer Development	4,800
Vocational Education	10,000
Total Intergovernmental Receivables	<u>\$156,867</u>

Lawrence County Joint Vocational School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Restated Balance 6/30/2005	Additions	Deductions	Balance 6/30/2006
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$109,260	\$0	\$0	\$109,260
Depreciable Capital Assets:				
Land Improvements	655,896	0	0	655,896
Buildings and Improvements	6,186,123	0	0	6,186,123
Furniture and Equipment	1,220,828	497,607	0	1,718,435
Vehicles	370,753	0	0	370,753
Total Capital Assets being Depreciated	8,433,600	497,607	0	8,931,207
Less Accumulated Depreciation				
Land Improvements	(580,211)	(5,371)	0	(585,582)
Buildings and Improvements	(4,366,927)	(107,083)	0	(4,474,010)
Furniture and Equipment	(793,262)	(111,196)	0	(904,458)
Vehicles	(353,738)	(4,561)	0	(358,299)
Total Accumulated Depreciation	(6,094,138)	(228,211)	0	(6,322,349)
Total Capital Assets being Depreciated, Net	2,339,462	269,396	0	2,608,858
Capital Assets, Net	\$2,448,722	\$269,396	\$0	\$2,718,118

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	\$195,032
Adult Education	14,899
Support Services:	
Board of Education	3,871
Administration	8,067
Operation and Maintenance of Plant	1,621
Central	2,472
Operation of Non-Instructional Services:	
Food Service Operations	2,249
Total Depreciation Expense	<u>\$228,211</u>

Of the total Capital Assets being depreciated, \$3,408,790 was fully depreciated at June 30, 2006.

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted with Indiana Insurance and participated in the Ohio School Plan (OSP) for insurance coverage. The School District contracted with Indiana Insurance for automobile and property coverage and commercial umbrella liability coverage through September 19, 2005.

The School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 18).

The School District participated in the Ohio School Plan (OSP) for property and automobile coverage, and professional and general liability insurance for the period September 19, 2005 through June 30, 2006.

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

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000
Medical Expense Limit - Any One Person/Any One Accident	10,000
Fire Damage Limit - Any One Event	500,000
Excess Liability:	
Each Occurrence	3,000,000
Aggregate Limit	3,000,000
Employer's Liability:	
Each Accident	1,000,000
Disease - Each Employee	1,000,000
Disease - Policy Limit	1,000,000
Employee's Benefits Liability:	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Building and Business Personal Property Coverage (\$1,000 deductible)	19,732,411
Equipment Breakdown (Boiler/Machinery) Coverage (\$1,000 deductible)	19,760,027
Automobile Liability (\$1,000 deductible for buses; \$250-\$500 for other)	4,000,000
Uninsured Motorists	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.

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

B. Worker's Compensation

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

Note 11 - Employee Benefits

A. Compensated Absences

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

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

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

Lawrence County Joint Vocational School District, Ohio

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For the Fiscal Year Ended June 30, 2006*

B. Life Insurance and Health Care Benefits

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

Health insurance is provided by CIGNA. Premiums for this coverage are \$1,359.18 for family coverage and \$550.28 for single coverage per month. The School District pays 75% of the family coverage premium and 95% of the single coverage premium.

Vision and dental insurance are provided by Medical Benefits Mutual. Premiums for this coverage are \$32.78 single and \$100.77 family coverage per month. The School District pays 100% of the premium for single plans and 33% of the premium for family plans.

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$78,696, \$66,778, and \$78,821; 100 percent has been contributed for fiscal years 2006, 2005, and 2004.

B. State Teachers Retirement System

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

Lawrence County Joint Vocational School District, Ohio

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For the Fiscal Year Ended June 30, 2006*

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

Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$581,114, \$537,718, and \$585,146; 100 percent has been contributed for fiscal years 2006, 2005, and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$23,609 made by the School District and \$27,740 made by plan members.

Note 13 - Postemployment Benefits

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

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium.

By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$44,701 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, School District paid \$43,491 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

Note 14 – Long-Term Obligations

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

	Principal Outstanding 6/30/2005	Additions	Reductions	Principal Outstanding 6/30/2006	Amounts Due in One Year
Governmental Activities					
Capital Lease	\$8,738	\$70,000	\$39,436	\$39,302	\$36,120
Capital Improvement Note, 2000-5.50%	305,373	0	63,239	242,134	66,765
Sick Leave Benefits	346,912	69,251	16,832	399,331	10,014
Total Governmental Activities					
Long-Term Liabilities	<u>\$661,023</u>	<u>\$139,251</u>	<u>\$119,507</u>	<u>\$680,767</u>	<u>\$112,899</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. The capital lease will be paid from the Adult Education Special Revenue Fund.

Lawrence County Joint Vocational School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

The capital improvement note was originally issued in the amount of \$472,471 and proceeds were used for improvements to the School District's heating and cooling systems. The note will be paid from the Debt Service Fund and is backed by the full faith and credit of the Lawrence County Joint Vocational School District. Principal and interest requirements to retire the note outstanding at June 30, 2006, are as follows:

Fiscal Year	Principal	Interest	Total
Ending June 30,			
2007	\$66,765	\$13,190	\$79,955
2008	70,488	9,468	79,956
2009	74,417	5,538	79,955
2010	30,464	1,388	31,852
	<u>\$242,134</u>	<u>\$29,584</u>	<u>\$271,718</u>

The overall debt margin of the School District as of June 30, 2006, was \$75,283,653, with an unvoted debt margin of \$716,987.

Note 15 - Capitalized Leases - Lessee Disclosure

In the current and prior years, the School District entered into capitalized leases for radiographic equipment and an ultrasound lab. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures on the statement of revenues, expenses and changes in fund balances for governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been capitalized in the amount of \$110,522 which is equal to the present value of the future minimum lease payments at the time of acquisition. The carrying value of these assets at June 30, 2006, is \$63,000.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2006.

Fiscal Year	Amount
Ending June 30,	
2007	\$38,520
2008	3,210
Total minimum lease payments	41,730
Less: amount representing interest	(2,428)
Present value of minimum lease payments	<u>\$39,302</u>

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 16 – Interfund Balances and Transfers

Interfund receivables and payables at June 30, 2006, consist of the following individual balances, representing monies advanced to funds to be repaid when grant funds or other program revenues are received:

	Interfund Receivable	Interfund Payable
General Fund	\$301,900	\$0
Special Revenue Funds:		
Adult Education	0	287,500
Career Development	0	4,800
Vocational Education	0	9,600
Total Special Revenue Funds	0	301,900
Total All Funds	\$301,900	\$301,900

During fiscal year 2006, the General Fund made transfers to the Bond Retirement Fund in the amount of \$79,956 for the retirement of debt. The General Fund also transferred \$38,734 to the Permanent Improvements Capital Project Fund, \$39,684 to the Adult Education Special Revenue Fund, and \$51,574 to other non-major governmental funds to subsidize various programs in other funds. Various non-major governmental funds transferred \$16,827 to the General Fund and \$19,113 to the Adult Education Special Revenue Fund. These transfers were to repay the General Fund and Adult Education Special Revenue Fund for expenditures on behalf of those funds. The Adult Education Special Revenue Fund transferred \$529 to an Other Non-Major Governmental Fund.

	Transfer to				
	General Fund	Permanent Improvement Fund	Adult Education Fund	Other Non-Major Governmental Funds	
General Fund	\$0	\$38,734	\$39,684	\$131,530	\$209,948
Adult Education Fund	0	0	0	529	529
Other Non-Major Governmental Funds	16,827	0	19,113	0	35,940
Total	\$16,827	\$38,734	\$58,797	\$132,059	\$246,417

Note 17 - Jointly Governed Organizations

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. Revenues are generated from an annual fee of \$2.00 per student to participating districts, State funding, and charges for additional services to participating districts. Lawrence County Joint Vocational School District paid \$24,620 for services provided during fiscal year 2006.

To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

The **Coalition of Rural and Appalachian Schools** is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-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 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council 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 Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2006.

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

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

Note 18 - Insurance Purchasing Pools

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

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

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 19 - Set asides

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

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

		Capital
	Textbooks	Improvements
Set-Aside Reserve Balance as of		
as of June 30, 2005	\$0	\$0
Current Year Set-Aside Requirement	81,990	81,990
Additional Set-Aside Requirement	262,353	0
Prior Year's Carry Over	(622,000)	0
Current Year Offsets	0	(355,073)
Qualifying Disbursements	(343,533)	(88,527)
Totals	(\$621,190)	(\$361,610)
Set-Aside Balance Carried Forward		
to Future Fiscal Years	(\$621,190)	\$0
Set-Aside Reserve Balance as of June 30, 2006	\$0	\$0

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

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

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

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 21 - Federal Family Education Loans

Federal Family Education Loans (Federal CFDA Number 84.032) processed for students by the School District during the year ended June 30, 2006, are summarized as follows:

Federal Stafford Loans	\$421,924
Federal Unsubsidized Stafford Loans	540,286
Federal Parental Loans for Undergraduate Students (PLUS)	<u>16,153</u>
Total	<u><u>\$978,363</u></u>

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

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	N/A	10.550	\$0	\$6,133	\$0	\$6,133
Nutrition Cluster:						
School Breakfast Program	05PU-2005	10.553	4,329		4,329	
	05PU-2006		22,816		22,816	
Total School Breakfast Program			<u>27,145</u>	<u>0</u>	<u>27,145</u>	<u>0</u>
National School Lunch Program	LLP4-2005	10.555	13,100		13,100	
	LLP4-2006		55,829		55,829	
Total National School Lunch Program			<u>68,929</u>	<u>0</u>	<u>68,929</u>	<u>0</u>
Total Nutrition Cluster			<u>96,074</u>	<u>0</u>	<u>96,074</u>	<u>0</u>
<i>Direct from the Federal Government:</i>						
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	N/A	10.226			2,067	
Total United States Department of Agriculture			<u>96,074</u>	<u>6,133</u>	<u>98,141</u>	<u>6,133</u>
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education_State Grant Program:						
Fiscal Year 2005	ABS1-2005	84.002	(25,202)		17,085	
Fiscal Year 2005 Carryover	ABS1-2006		25,202		25,202	
Fiscal Year 2006	ABS1-2006		127,031		103,970	
Total Adult Education_State Grant Program			<u>127,031</u>	<u>0</u>	<u>146,257</u>	<u>0</u>
Vocational Education_Basic Grants to States:						
Fiscal Year 2006 High School Critical Transitions	20A0-2005	84.048	10,000		4,200	
Fiscal Year 2005 Project Lead the Way Program	20A0-2005		4,500		2,640	
Fiscal Year 2005 Adult Program	20C2-2005		5,000		2,437	
Fiscal Year 2006 Adult Program	20C2-2006		127,435		114,013	
Fiscal Year 2006 Secondary Education Program	20C1-2006		271,738		271,738	
Total Vocational Education_Basic Grants to States			<u>418,673</u>	<u>0</u>	<u>395,028</u>	<u>0</u>
Safe and Drug-Free Schools and Communities_State Grants	DRS1-2005	84.186			91	
	DRS1-2006		1,595		1,595	
Total Safe and Drug-Free Schools and Communities-State Grants			<u>1,595</u>	<u>0</u>	<u>1,686</u>	<u>0</u>
State Grants for Innovative Programs	C2S1-2006	84.298	1,920		1,920	
Improving Teacher Quality State Grants	TRS1-2006	84.367	2,979		2,979	
<i>Passed Through Ohio University:</i>						
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	N/A	84.334	270		270	
<i>Direct from the Federal Government:</i>						
Federal Pell Grant Program	P063P053928	84.063	702,832		701,252	
Federal Pell Grant Program-Administration	N/A		1,495		1,495	
Total Federal Pell Grant Program			<u>704,327</u>	<u>0</u>	<u>702,747</u>	<u>0</u>
Rural Education	S358A030807	84.358			143	
	S358A040807				524	
	S358A050807		52,996		52,996	
Total Rural Education			<u>52,996</u>	<u>0</u>	<u>53,663</u>	<u>0</u>
Total United States Department of Education			<u>1,309,791</u>	<u>0</u>	<u>1,304,550</u>	<u>0</u>
UNITED STATES DEPARTMENT OF LABOR						
<i>Passed Through Ohio Department of Education:</i>						
WIA Adult Program	WFHS-2004	17.258			7,000	
Total United States Department of Labor			<u>0</u>	<u>0</u>	<u>7,000</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$1,405,865</u>	<u>\$6,133</u>	<u>\$1,409,691</u>	<u>\$6,133</u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – MATCHING REQUIREMENTS

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

NOTE E – FEDERAL FAMILY EDUCATION LOANS

Federal Family Education Loans (Federal CFDA Number 84.032) processed for students by the School District during the year ended June 30, 2006, are summarized as follows:

Federal Stafford Loans	\$421,924
Federal Unsubsidized Stafford Loans	540,286
Federal Parental Loans for Undergraduate Students (PLUS)	<u>16,153</u>
Total:	<u>\$978,363</u>

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

NOTE F – TRANSFERS BETWEEN COST CENTERS

There was a transfer done between cost centers (based on project year) due to a carryover of Fiscal Year 2005 Adult Education State Grant Program (CFDA # 84.002) monies. This transfer is reported on the Schedule of Federal Awards Receipts and Expenditures as a negative receipt in the Fiscal Year 2005 grant year and a positive receipt into the Fiscal Year 2005 Carryover grant year. The amount of the transfer was \$25,202.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated May 25, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the School District's management dated May 25, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

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

Mary Taylor, CPA
Auditor of State

May 25, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2006. The Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

As described in items 2006-001 through 2006-004 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding Allowable Costs/Cost Principles, Period of Availability, Level of Effort and Reporting applying to its Vocational Education Basic Grants to States Program, CFDA #84.048. Compliance with those requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-005 and 2006-006.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider item 2006-005 to be a material weakness. We also noted an other matter involving the internal control over federal compliance, not requiring inclusion in this report, that we have reported to the School District's management in a separate letter dated May 25, 2007.

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



Mary Taylor, CPA
Auditor of State

May 25, 2007

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified - Vocational Education Basic Grants to States CFDA # 84.048
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Vocational Education Basic Grants to States CFDA # 84.048 Federal Pell Grant Program CFDA # 84.063
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2006-001
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C1-2006, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost – Period of Availability of Federal Funds

20 U.S.C. Section 2353(b)(1) provides that in any academic year that a local education agency does not obligate all of the amounts it is allocated under the Secondary, and Postsecondary and Adult Vocational Education programs for that year, it must return the unobligated amounts to the State to be reallocated under the Secondary, Postsecondary, and Adult Vocational Education Program. (OMB Circular A-133 Compliance Supplement, (March, 2006)).

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

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

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

Several instances were identified in which expenditures were made for obligations which occurred outside of the availability period or in which the expenditure was made outside of the period of availability or prescribed deadlines. The instances noted are as follows:

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2006-001 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C1-2006, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

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

Fiscal Year 2005 Project Lead the Way Grant Program

The Final Expenditure Report (FER) was indicated as being signed by the Treasurer on July 26, 2005 and indicated the entire budget amount of \$20,000 was expended from the grant. Expenditures were made after this date in the amount of \$2,639.90. This amount was included in a questioned cost in the prior year audit via finding 2005-003 regarding Allowable Costs/Cost Principles. (See Fiscal Year 2005 Audit Report).

Fiscal Year 2006 Secondary Education Program

The School District made payments in the amount of \$2,596.95 for obligations which occurred prior to the substantially approved date of the consolidated application which was August 12, 2005.

Fiscal Year 2006 Adult Education Program

During Fiscal Year 2006, the School District made payments in the amount of \$4,007.24 prior to the substantially approved date of the consolidated application which was August 12, 2005. In addition, the School District made payments in the amount of \$5,695.33 for obligations which occurred prior to the substantially approved date of the consolidated application which was August 12, 2005.

After June 30, 2006, the School District made payments from the 2006 grant in the amount of \$4,069.50 which did not represent obligations of Fiscal Year 2006 but represented obligations incurring in Fiscal Year 2007.

The total payments for the Fiscal Year 2006 Adult Education Program which were paid prior to the substantially approved date or represent obligations outside of the availability period is \$13,772.07 (Represents the total of the following amounts: \$4,007.24; \$5,695.33; and \$4,069.50).

We question the total of all expenditures made prior to the substantially approved date, after the Final Expenditure Report was dated or for obligations outside of the availability period. Total questioned costs are:

FY 2005 Project Lead the Way Grant Program	\$2,639.90
FY 2006 Secondary Education Program	2,596.95
FY 2006 Adult Education Program	<u>13,772.07</u>
Total:	<u>\$19,008.92</u>

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2006-001 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C1-2006, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

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

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

Officials’ Response

We wish to remind the Auditor of State’s Office that the prior year audit (Fiscal Year 2005) was completed by the Auditor of State’s Office in June 2006 with only two weeks in the Fiscal Year 2006 school year remaining to correct any items in this Fiscal Year 2006 audit year. In those two weeks in attempting to assure the Fiscal Year 2006 expenditures were compliant to address the recently discovered Fiscal Year 2005 issues, errors occurred. In this correction process, allowable expenditures according to the Ohio Department of Education’s (ODE) approved CCIP process were transferred from the General Fund to the Vocational Education Basic Grants to States (Perkins) Fund. Some of the transferred expenditures were transactions from the requisition and purchase order process dated after July 1, 2005 and prior to the substantially approved August 12, 2005 date.

In investigating our 2005 training materials and notes from the Ohio Department of Education prior to the development of the Fiscal Year 2006 CCIP Plan, there was no mention of funding unavailable prior to the Superintendent approval date on the computerized CCIP Plan. The CCIP process would upload the Fiscal Year 2005 plan to the new Fiscal Year 2006 plan, which was completed in June 2005. Therefore, in completing the CCIP for Fiscal Year 2006, due to technical difficulties in accessing the CCIP through the new portal site system, the district approval date resulted in August 12, 2005. This substantially approved date was covered by ODE extensively in their 2006 training in preparation for the Fiscal Year 2007 CCIP plan. During the two week attempt to adjust the Fiscal Year 2006 errors, an oversight occurred by the School District in transferring the transactions that occurred between these dates, although there are far in excess of these amounts spent throughout the year that could have complied had their been more time than two weeks to consult with ODE and make the necessary adjustments. We attempted to meet with ODE on the Fiscal Year 2005 audit and this meeting did not occur until October 27, 2006.

We also wish to note that as of Fiscal Year 2007 all posting for grant monies is done directly and the School District no longer uses reduction of expenditures to transfer monies.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2006-001 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C1-2006, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

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

Auditor of State’s Analysis

The Ohio Department of Education’s Center for School Improvement, Office of Federal Programs has indicated that a CCIP online application is substantially approved when Superintendent approved or July 1, whichever is later. It is further indicated that these applications must be submitted to the Ohio Department of Education before the School District can legally obligate CCIP program funds. When an application is substantially approved, legal obligations can be incurred for expenses as long as the School District follows budget requirements for the use of funds.

Finding Number	2006-002
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost – Allowable Costs/Cost Principles

2 C.F.R. Section 225 (OMB Circular A-87) Appendix A provides that to be allowable under Federal awards, costs must be adequately documented as well as be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

Ohio Department of Education’s Career Technical and Adult Education Application Assurances, item 2, provides that the subgrantee will accept funds in accordance with applicable Federal and State statutes, regulations, program plans, and applications, and administer the programs in compliance with all provisions of such statutes, regulations, applications, policies and amendments thereto. Further, item 38, provides that the subgrantee will conform all activities conducted under the approved grant to the provisions contained within OMB Circular A-87.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2006-002 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost – Allowable Costs/Cost Principles (Continued)

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

The School District agreed to abide by the budget that was included as part of the 2005 Career-Technical and Adult Education Application.

For the Fiscal Year 2005 Adult Education Program, the School District expended \$2,260.09 for material and supply items. Neither the Budget nor the Final Expenditure Report included expenditures for supplies. This amount is considered unallowable since it was not provided for in the grant budget. Total Fiscal Year 2005 Adult Education Program questioned cost is \$2,260.09.

Fiscal Year 2006 High School Critical Transitions Grant Program

The School District agreed to abide by the budget and budget narrative that was included as part of the fiscal year 2006 High School Critical Transitions Grant Program Application.

For this program, the School District expended \$9,406.50 more than budgeted for the salaries (100) object code, fringe benefits (200) object code, Other (800) object code, and transfers (900) object code which is considered a questioned cost.

This amount is comprised of payments in the amount of \$600 representing stipends, \$8,805 of a \$11,405 transaction representing a transaction to post expenditures to the Fiscal Year 2006 High School Critical Transitions Grant Program Fund from the General Fund, and \$1.50 representing a transfer to the General Fund. The \$11,405 has been excluded from the Schedule of Federal Awards Receipts and Expenditures since the expenditures were duplicated or occurred after the fiscal year end.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2006-002 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost – Allowable Costs/Cost Principles (Continued)

Fiscal Year 2006 High School Critical Transitions Grant Program (Continued)

Expenditures supporting the amount of \$9,406.50 included the following items which were deemed to represent unallowable costs:

Description	Amount
Duplicated Item	\$3,600.00
Supplemental contract payments representing compensation for personal services in which the grant budget did not include salaries and fringe benefits	5,205.00
Stipend payments in which the grant budget did not include salaries and fringe benefits	600.00
Unsupported transfer to the General Fund	1.50
Total:	\$9,406.50

The Budget and Final Expenditure Report did not include amounts for salaries and transfers.

The amount of \$9,406.50 represents unallowable costs since they were not included in the grant budget and is considered a questioned cost.

Fiscal Year 2006 Vocational Education Basic Grants to States (Perkins III) Program

The School District agreed to abide by the budget that was included as part of the 2006 Career-Technical and Adult Education Application Revision 1 dated March 23, 2006 when the application received final approval by the Ohio Department of Education. In addition, the School District's Ohio Department of Education's Comprehensive Continuous Improvement Plan (CCIP) Consolidated Application Assurances, item 38 indicates the subgrantee will conform all activities conducted under the approved grant to the provisions contained within OMB Circular A-87, A-21 and/or A-122, as applicable.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2006-002 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost – Allowable Costs/Cost Principles (Continued)

Fiscal Year 2006 Vocational Education Basic Grants to States (Perkins III) Program (Continued)

For the Fiscal Year 2006 Adult Education Program, we noted the following:

- The School District expended \$33,296.67 more than budgeted for the Instruction purpose (1000) and Purchased Services (400) object code. In addition, amounts were not properly reflected on the Final Expenditure Report. Also, these amounts were described by the School District as Professional Development which were not included in the budget and included expenditures for travel, administrative retreat, travel for grant coordinator, airline tickets, hotel reservations and conference registrations. \$4,007.24 of this amount is included as a questioned cost in Finding Number 2006-001.
- During the audit period, the Adult Education Special Revenue Fund was over reimbursed by \$2,950.93 via memorandum check numbers 930567 and 930551. These over reimbursements were due to duplicated items or unsupported items. \$721.14 of this amount is included in \$33,296.67 above.
- After year end, the Adult Education Fund was over reimbursed by \$3,883.92 via memorandum check number 930594. These over reimbursements were due to duplicated items.
- We identified \$13,173.71 in expenditures during the audit period and \$5,423.50 after year end which were deemed to represent unallowable costs. The following chart provides a breakdown of this amount:

Description	Amount
Rental fee of Big Sandy Superstore Arena for adult graduation which includes Arena, Emergency medical services, staff, stage and utilities.	\$4,135.50
Expenditures deemed unallowable because they represent promotional items such as gifts and souvenirs or promotional materials given to individuals as an item of personal property. These included the following: Embroidered shirts, lanyards, business cards for staff, polo shirts, graduation flowers, embossed foil anniversary seals, and planter for local business.	3,842.85

**LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
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(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2006-002 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost – Allowable Costs/Cost Principles (Continued)

Fiscal Year 2006 Vocational Education Basic Grants to States (Perkins III) Program (Continued)

Description	Amount
Advertising costs deemed to solely promote the governmental unit or public relations costs and not specifically related to programming. These include the following: Listing in phone book, annual booklet included in area newspaper, and sponsorship of conference.	2,266.50
Advertisements deemed unallowable because they are deemed to represent recruitment costs. These include the following: Ultrasound instructor advertisement and employment advertisement for program director.	2,730.91
Purchase representing supplies which were not included in grant budget	197.95
Total:	\$13,173.71

- The Adult Education Special Revenue Fund was reimbursed for expenditures totaling \$1,100 which were actually made from the General Fund (\$1,050 of this amount was included in the \$13,173.71 amount above).
- We noted expenditures in the amount of \$199.61 included in items paid outside of the availability period which was deemed to represent unallowable costs. The item represented mailing labels, business cards, and report covers and applications. (This amount was included in Period of Availability of Federal Funds Questioned Cost 2006-001)

Total Fiscal Year 2006 Adult Education Program questioned costs are \$54,050.35 (\$29,289.43, \$2,229.79, \$3,883.92, \$13,173.71, \$5,423.50, and \$50, but not including amounts of \$4,007.24, \$721.14, \$1,050 and \$199.61 which were included in Finding Number 2006-001. As noted above, these amounts were unallowable because they were not included in the grant budget, represent duplicated or unsupported items, or did not conform to the provisions contained within OMB Circular A-87.

Total questioned costs are:

FY 2005 Adult Education Program	\$2,260.09
FY 2006 Adult Education Program	54,050.35
FY 2006 High School Critical Transitions	9,406.50
Total:	\$65,716.94

**LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2006-002 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost – Allowable Costs/Cost Principles (Continued)

We recommend the School District ensure that all expenditures made from federal funds are for an allowable purpose in accordance with the grant guidelines. We would further recommend the School District monitor budget versus actual grant expenditures by object code to ensure amounts are within budgeted amounts. In addition, the School District should consult with the Ohio Department of Education regarding repayment.

Officials' Response

The School District wishes to remind the Auditor of State's Office that the prior year audit (Fiscal Year 2005) was completed by the Auditor of State's Office in June 2006 with only two weeks in the Fiscal Year 2006 school year remaining to correct any items in this Fiscal Year 2006 audit year. In those two weeks in attempting to assure the Fiscal Year 2006 expenditures were compliant to address the recently discovered Fiscal Year 2005 issues, transfers had to occur and errors resulted. In this correction process, allowable expenditures according to the Ohio Department of Education's (ODE) approved CCIP process were transferred from the General Fund to the Vocation Education Basic Grants to States (Perkins) Fund.

The School District agrees with the duplication error in the amount of \$3,600, and the calculation errors indicated which resulted due to the quick two week response time that was required.

The Adult Perkins Budget for Fiscal Year 2006 was approved by ODE with the budget line items identified and the CCIP action steps attached. The actual budget lists district plan action steps approved by ODE for Adult Perkins expenditures as: Intervention/Academic support, informational and recruitment, professional development, academic/career technical curriculum integration, business/industry linkages, professional development to increase technology, online curriculum development, provide teacher and staff workshops, induction training for teachers, provide assessment services, articulations, and community involvement. These strategies impact the Perkins performance standards. The budget allocated for these areas under purchased services in the column of support services and was approved by ODE exactly as stated. No guidance was provided or line items were questioned in the initial approval or throughout the draw down process, and action steps specifically identified the strategies for these expenditures.

**LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2006-002 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost – Allowable Costs/Cost Principles (Continued)

Officials’ Response (Continued)

The intent of the expenditures is not questionable – if the School District had received more than two weeks to make the adjustments, the line items could have been amended and approved because the expenditures were valid according to the identified ODE CCIP district plan. The Critical Transitions Grant could have been amended in the amount of \$5,205 from the purchased service consulting contract to the salary/fringe benefits line item which would have been allowable. The \$33,296.67 represents approved strategies by the ODE in the CCIP Plan. These areas include professional development expenditures as specifically identified in the CCIP Plan, Sections 1.5, 1.5.1, and 1.2.1, business and industry linkages CCIP Section 1.3.1, Articulations CCIP sections 1.7.1 and 1.9, and marketing and promotions CCIP Section 1.1.2. These areas were identified in the budget under the support services and purchased services column, the professional development expenditures could have been amended out of the support services and purchased service columns as CCIP action steps and strategies tied to the budget specifically identified to an allowable professional development line item had this been identified by ODE during the CCIP Plan and budget approval process or had this been an issue in the Fiscal Year 2005 audit which was completed two weeks prior to making any compliance adjustments for Fiscal Year 2006.

Allowable costs questioned are interpretations of marketing and promotional and business and industry linkage expenditures. Marketing & promotions approved on district CCIP plan by ODE: section 1.1.2 (above) and business and industry linkages approved on district CCIP plan by ODE: section 1.3.1. The School District aligned all of the expenditures to the appropriate ODE approved CCIP section in the 05/06 CCIP plan and met with representatives from ODE as soon as the Auditor of State identified these questions for interpretation and requested allowance of these expenditures on May 7, 2007. ODE requested more time to analyze and interpret these expenditures.

Auditor of State’s Analysis

The School District should review entries prior to posting to ensure amounts are properly supported and represent allowable expenditures. The budget approved by the Ohio Department of Education as part of the grant application did not include budgeted expenditures for the professional development purpose code. When a grant application is effective, legal obligations can be incurred for expenses as long as the School District follows budget requirements for the use of funds.

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2006-003
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, 20C1-2006, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation – Reporting

34 C.F.R. Section 80.30 (a) states that “grantees and subgrantees are permitted to rebudget within the approved direct cost budget to meet unanticipated requirements and may make limited program changes to the approved budget. However, unless waived by the awarding agency, certain types of post-award changes in budgets and projects shall require the prior written approval of the awarding agency.” Additionally, 34 C.F.R. 80.30 (c)(1)(ii) states in part that except as stated in other regulations or an award document, grantees or subgrantees shall obtain the prior approval of the awarding agency whenever cumulative transfers among direct cost categories, or, if applicable, among separately budgeted functions, or activities which exceed or are expected to exceed ten percent of the current approved budget.

Ohio Department of Education’s Career Technical and Adult Education Application Assurances, item 6, provides that the subgrantee will make reports to ODE as may be reasonably necessary to enable ODE to perform their duties. The reports shall be completed and submitted in accordance with the standards and procedures designated by ODE and shall be supported by appropriated documentation.

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

- Project cash request (PCR)
- Final expenditure report (FER)

Final Expenditure Reports

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

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

Fiscal Year 2005 Project Lead the Way Program

For the fiscal year 2005 Project Lead the Way program, the Final Expenditure Report was signed by the Treasurer on July 26, 2005 and indicates the entire \$20,000.00 was expended for the grant. Amounts reported on the Final Expenditure Report agree to budgeted amounts and do not reflect actual expenditure amounts. Below is a comparison of the reported figures and actual figures for the fiscal year 2005 project lead the way program grant:

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2006-003 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, 20C1-2006, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation – Reporting (Continued)

Fiscal Year 2005 Project Lead the Way Program (Continued)

Object Level	Expenditures Per FER	Actual Expenditures Per Records	Variance
Purchased Services (400)	\$3,500	\$983	\$2,517
Supplies (500)	\$15,000	\$0	\$15,000
Capital Outlay (600)	\$1,500	\$14,557	(\$13,057)
Transfers (900)	\$0	\$4,460	(\$4,460)
Total:	\$20,000	\$20,000	\$0

Of these variances, a total of \$17,367 was a questioned cost in the prior year audit via findings 2005-002 and 2005-003. (See Fiscal Year 2005 Audit Report).

Fiscal Year 2006 Critical Transitions Grant Program

For the fiscal year 2006 Critical Transitions Grant Program, the Final Expenditure Report was signed by the Treasurer on August 28, 2006 and indicates the entire \$20,000.00 was expended for the grant. Amounts reported on the Final Expenditure Report agree to budgeted amounts and do not reflect actual expenditure amounts. During our testing, we identified amounts which were not properly classified in the expense line items. Below is a comparison of the reported figures and actual figures for the fiscal year 2006 critical transitions program considering reclassifications for amounts not deemed properly classified:

Object Level	Expenditures Per FER	Actual Expenditures Per Records	Variance
Salaries/Fringe Benefits (100/200)	\$0	\$5,805	(\$5,805)
Purchased Services (400)	\$15,005	\$6,200	\$8,805
Supplies (500)	\$1,000	\$398.50	\$601.50
Other (800)	\$3,995	\$7,595	(\$3,600)
Transfers (900)	\$0	\$1.50	(\$1.50)
Total:	\$20,000	\$20,000	\$0

Of these variances, \$9,406.50 is considered a questioned cost and has already been included in Finding Number 2006-002.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2006-003 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, 20C1-2006, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation – Reporting (Continued)

Fiscal Year 2006 Adult Education Program

For the fiscal year 2006 adult education program, the Final Expenditure Report was approved by the Treasurer and Superintendent on August 31, 2006 and indicated the entire amount was expended for the grant. Amounts reported on the Final Expenditure Report agree to budgeted amounts. The Final Expenditure Report does not indicate amounts by function. While testing the fiscal year 2006 adult education grant program, we identified an amount of \$33,296.67 which represented instruction function code expenses described by the School District as professional development in which the grant budget only indicates support services purchased services and does not include professional development. Thus, the School District expended \$33,296.67 more than budgeted for the instruction function code, purchased services code line item which is considered a questioned cost which has already been included in Finding Number 2006-002.

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

Project Cash Request Forms

The first payment is initiated by ODE upon the approval of the application. Subsequent payments must be requested by the School District as needed using the online Project Cash Request. Cash requests are limited to one month (up to 10% of the approved budget amount) plus any negative balance (amount by which program expenditures exceed project cash received to date). Districts may request more than one negative balance only PCR in a given month. ODE requires written explanation for monthly cash advance requests which exceed the 10% limit. Additionally, written explanations are required for cash advance requests when the balance on hand exceeds 10% of the approved budget amount.

Funds are to be expended within the period of time for which they are requested (e.g. funds requested for January should be expended during January).

**LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2006-003 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, 20C1-2006, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation – Reporting (Continued)

Project Cash Request Forms (Continued)

While testing PCR Forms for the FY 2005 Project Lead the Way Grant, Fiscal Year 2005 Adult Education Perkins Grant, and the FY 2006 Adult and Secondary Education Perkins Grants, we found that amounts reported as expended by the School District on the PCR Form did not agree to amounts actually expended as of the date of the request per the School District’s accounting system records. We noted an instance regarding the Fiscal Year 2006 Secondary Education Perkins Grant in which the amount expended per the project cash request form exceeded the amount actually expended as of the date of the request by \$48,780.

This resulted in the School District having more funds on hand than were necessary to meet immediate cash needs and could have resulted in interest being earned on funds which is required to be remitted to Federal agency. In addition, this resulted in inaccurate amounts being reported to ODE for expenditure of grant funds.

We recommend the School District develop a policy for requesting grant funds from the Ohio Department of Education via the CCIP Project Cash Request system that conforms to the Cash Management Improvement Act and implement procedures to minimize the time elapsing between the receipt of funds and their disbursement. We further recommend that amounts reported to the Ohio Department of Education via the Project Cash Request forms be based on actual activity and not on budgeted or estimated amounts. In addition, balances on hand should be monitored to ensure interest is not earned on federal funds and if earned, should be remitted to the appropriate agency.

Officials’ Response

The School District wishes to note that as of Fiscal Year 2007 all posting for grant monies is done directly and the School District no longer uses reduction of expenditures to transfer monies. The School District is requesting review by the Ohio Department of Education to assure that all expenditures for Fiscal Year 2007 are in compliance and meet their CCIP interpretations prior to June 30, 2007.

**LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2006-004
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation – Level of Effort

Ohio Department of Education’s Career-Technical and Adult Education Application Assurances, item 21, provides that funds will be used to supplement and not supplant State and local funds expended for educational purposes and, to the extent practicable, increase the fiscal effort that would, in the absence of such funds, be made by the subgrantee for educational purposes.

Carl D. Perkins Vocational and Technical Education Act of 1998 (Perkins III), section 311(a) and U.S.C. Section 2391(a) indicate the state and its subgrantees may use funds for vocational and technical education activities that shall supplement, and not supplant, non-Federal funds expended to carry out vocational and technical education activities and tech-prep activities.

It is presumed that supplanting has occurred if the School District uses Federal funds to provide services that the School District provided with non-Federal funds in the prior year and to provide services that the School District is required to make available under other Federal, State or local laws.

During our testing of the Fiscal Year 2006 Vocational Education – Basic Grants to States (Perkins III) Adult Education Grant, we noted that the School District charged \$33,296.67 to the grant from the Adult Education Major Special Revenue Fund travel expense line item. These amounts were described as professional development expenditures by the School District when reallocating the expense to the Perkins Grant Fund. Per review of the Fiscal Year 2005 Grant, purchased services amounts of \$71,842 were spent on advertising and material and supply line items with only \$2,197 representing travel or professional development expenditures. During Fiscal Year 2005, the Adult Education Major Special Revenue Fund travel expense line item was paid from tuition and fees, charges for services, and the state vocational education reimbursement grant received by the Adult Education Major Special Revenue Fund.

The amount of \$33,296.67 is considered a questioned cost and has already been included in Finding Number 2006-002.

We recommend the School District review the Supplement not Supplant requirements for federal funds and implement procedures to ensure funds are used only to supplement non-Federal funds expended to carry out vocational and technical education activities and tech-prep activities. In addition, the School District should consult with the Ohio Department of Education regarding repayment.

**LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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JUNE 30, 2006
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2006-004 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation – Level of Effort (Continued)

Officials' Response

The School District has always provided quality professional development opportunities using Perkins funding to impact the required Perkins performance measures. These performance standards that all students must meet include completion, placement, industry credential attainment, academic attainment, and non-traditional enrollment/completion. Perkins has also been used for business/industry linkages, marketing and recruitment and articulation strategies, but by no means covers the entire costs. Due to the Fiscal Year 2005 audit's interpretations of marketing, and the narrow timeline to assure compliance for Fiscal Year 2006, professional development expenditures were transferred, which was in the ODE approved CCIP Plan, Sections 1.5, 1.5.1, and 1.2.1 listed directly under the budget table aligned with the professional development action steps.

Finding Number	2006-005
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, 20C1-2006, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness – Posting Expenditures Directly to Perkins Grant Fund

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements. This includes posting expenditure of State and Federal Funds directly to the grant funds at the time the expenditures are made instead of recording memo expenditures and/or posting corrections.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2006-005 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, 20C1-2006, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

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

While testing expenditures for the Fiscal Year 2006 Adult and Secondary Education Grant Program and the Fiscal Year 2006 High School Critical Transitions Grant, we found that many of the expenditures were not made directly from the fund. Expenditures were initially posted to other funds such as the General Fund and Adult Education Major Special Revenue Fund and then reallocated to the Perkins Grant Fund by means of posting corrections, memo expenditures, and/or reduction of expenditure entries. We note that expenditures were posted to these programs as follows:

Program	Amount	Method / Description of Posting
FY 2006 High School Critical Transitions	\$11,405	Check to Lawrence County Joint Vocational School District to reimburse the General Fund and posted as a reduction of expenditure in the General Fund.
FY 2006 Secondary Education Program	\$271,737.64	Memo Check expenditure # 930579 and # 930584 represent posting corrections to reallocate expenditures from the General Fund to the Perkins Grant Fund and within the Perkins Grant Fund.
FY 06 Adult Education Program	\$43,615	Memo Check expenditure # 930576 to reallocate expenditures from the Adult Education Major Special Revenue Fund to the Perkins Grant Fund.
FY 06 Adult Education Program	\$33,296.67	Memo Check expenditure # 930567 to reallocate expenditures from the Adult Education Major Special Revenue Fund to the Perkins Grant Fund.
FY 06 Adult Education Program	\$30,081	Memo Check expenditure # 930551 to reallocate expenditures from the Adult Education Major Special Revenue Fund to the Perkins Grant Fund.
FY 06 Adult Education Program	\$2,475.51	Memo Check expenditure # 930564 to reallocate expenditures from the Adult Education Major Special Revenue Fund to the Perkins Grant Fund.
FY 06 Adult Education Program	\$3,883.92	Memo Check expenditure # 930594 posted August 31, 2006 to reallocate expenditures from the Adult Education Major Special Revenue Fund to the Perkins Grant Fund.

Some of the posting corrections, memo expenditures, and/or reduction of expenditure entries were made several months to nearly a year after the expenditure had been made.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2006-005 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, 20C1-2006, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

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

Also, throughout the year the School District made posting corrections by means of memo check expenditure entries in order to post expenditures to grant funds which were made from other funds such as the General Fund and Adult Education Special Revenue Fund.

This was noted for the following grants and/or funds:

Fund	Amount
Adult Basic Literacy Education Grant	\$28,757
Schoolnet E-Tech Grant	2,300
Ohio Higher Skills Partnership Grant	7,000
Full Service Grant	5,591
Innovative Programs Grant	1,920
Fifth Quarter Grant	16,000
Supplemental Equipment Grant	15,514
Rural Education Grant	18,196

This made it difficult to determine the following:

- Expenditures which were being reimbursed by the posting corrections
- Expenditures by object code to compare to the grant budget for budget versus actual monitoring
- Expenditure amounts at selected period throughout the year

This also resulted in expenditures being made from one fund and going unreimbursed from the grant fund for an extended period of time and further, this could result in an inability to determine whether individual costs are being used for reporting on more than one grant.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2006-005 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, 20C1-2006, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

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

We recommend expenditures of state and federal funds be posted directly to the state or federal grant fund at the time the expenditures are made instead of doing posting corrections, memo expenditures, and/or reduction of expenditure entries at a later date to reallocate the expenditure. We further recommend the School District track and monitor state and federal grant expenditures by object code to ensure grant expenditures do not exceed budgeted amounts.

Officials' Response

The School District wishes to note that as of Fiscal Year 2007 all posting for grant monies is done directly and the School District no longer uses reduction of expenditures to transfer monies. An internal analysis is being conducted on coding and detailed budgets and pre-coding of requisitions will be completed for Fiscal Year 2008.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2006-006
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, 20C1-2006, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Reportable Condition – Use of Care in Making Posting Corrections

Posting corrections, reduction of expenditures, and memo expenditures to reallocate expenses should be carefully prepared and posted only after determining the entry is necessary as the result of not being posted to the proper Fund, Function, and/or Object Code. Further, they should be supported by adequate documentation to verify the actual expenditures being moved and the Fund, Function, and Object Code from which the expenditures are being moved is consistent with the Fund, Function, and Object Code from which the expenditures were originally posted.

While reviewing underlying documentation which supported posting corrections and memo expenditure entries made by the School District, we noted several instances in which the correcting entry was not posted to the Fund, Function, and Object Code in which the original entries were posted.

These included the following:

- Instruction function expenditures were taken from 001-1339-111 (General Fund – Special Education – Regular Salaries) in the amount of \$200,000 and 001-1339-290 (General Fund – Special Education – Other Retirement and Insurance Benefits) in the amount of \$32,206.34 but the actual expenditures were made from other Fund, Function, and Object Code line items within the General Fund. Also, this resulted in 001-1339-111 and 001-1339-290 having negative expenditures of (\$169,536.23) and (\$24,639.56) respectively which further indicates the actual expenditures were not made from the Fund, Function, and Object Codes.
- Supporting services function expenditures were taken from 001-2223-111 (General Fund – Audio Visual Services – Regular Salaries) in the amount of \$24,044.12 and 001-2223-290 (General Fund – Audio Visual Services – Other Retirement and Insurance Benefits) in the amount of \$2,350 but the actual expenditures were made from other Fund, Function, and Object Code line items within the General Fund.
- Administrative supporting services expenditures were taken from 001-2223-290 (General Fund – Office of Principal Services – Other Retirement and Insurance Benefits) in the amount of \$2,177 but the actual expenditures were made from other Fund, Function, and Object Code line items within the General Fund.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2006-006 (Continued)
CFDA Title and Number	Vocational Education – Basic Grants to States CFDA # 84.048
Federal Award Number / Year	20A0-2005, 20C2-2005, 20C1-2006, and 20C2-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Reportable Condition – Use of Care in Making Posting Corrections (Continued)

This resulted in the following difficulties:

- Since actual expenditures were made from different Fund, Function and Object Codes, it was difficult to determine whether these were the actual expenditures the School District intended on paying for with these grant monies.
- In some instances as noted above, entries were not posted until several months after the expenditures actually occurred. For example, salaries and fringe benefits were paid throughout the year from the General Fund however the correcting entries were not posted until June 2006.
- In some instances as noted above, the amounts posted as corrections exceeded the expenditure amounts in the fund, function and object code line items.

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

Officials' Response

The School District wishes to note that as of Fiscal Year 2007 all posting for grant monies is done directly and the School District no longer uses reduction of expenditures to transfer monies. An internal analysis is being conducted on coding and detailed budgets and pre-coding of requisitions will be completed for Fiscal Year 2008.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2005-001	Noncompliance Citation - Recommending amount of \$40,560.81 be remitted to the Ohio Department of Education since programs are closed out.	No	School District remitted monies to the Ohio Department of Education on February 6, 2007.
2005-002	Questioned Cost – Period of Availability of Federal Funds recommending funds be expended during the period of availability and Final Expenditure Reports not be prepared until all funds have been liquidated, and consult with the Ohio Department of Education regarding repayment.	No	Similar comment issued for June 30, 2006 as finding 2006-001.
2005-003	Questioned Cost – Allowable Costs/Cost Principles recommending the School District ensure that all expenditures made from federal funds are for an allowable purpose in accordance with grant guidelines and the School District monitor budget versus actual grant expenditures by object code to ensure amounts are within budgeted amounts.	No	Similar comment issued for June 30, 2006 as finding 2006-002.
2005-004	Noncompliance Citation – Reporting recommending that Final Expenditure Reports be filed within the required deadlines and be prepared based on actual expenditure amounts and expenditures for grant expenditures be tracked and monitored by object code to allow for monitoring of budget versus actual grant expenditures.	No	Similar comment issued for June 30, 2006 as finding 2006-003.
2005-005	Material Weakness – Recommending expenditures be posted directly to the Perkins Grant Fund.	No	Similar comment issued for June 30, 2006 as finding 2006-005.
2005-006	Reportable Condition – Use of Care when making posting corrections and post them to the appropriate line codes for the proper amounts which should be charged to the grant.	No	Similar comment issued for June 30, 2006 as finding 2006-006.



Mary Taylor, CPA
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
JUNE 21, 2007**