



**Auditor of State
Betty Montgomery**

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

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2004, 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, 2004, 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.

As described in Note 3, during the year ended June 30, 2004, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Also, as mentioned in Note 3, during the year ended June 30, 2004, the School District adopted GASB Statements 37, 38, 39 and 41 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2005, 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.

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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 also 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 whole.

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

Betty Montgomery
Auditor of State

July 11, 2005

Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
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, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2004 are as follows:

- Net assets of governmental activities increased \$769,525.
- General revenues accounted for \$4,147,695 or 41% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,880,789 or 59% of total revenues of \$10,028,484.
- The School District had \$9,258,959 in expenses related to governmental activities; \$5,880,789 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$4,147,695 were adequate to provide for the rest of these programs.
- The School District has three major funds; the General Fund, the Permanent Improvement Fund, and the Adult Education Fund. The General Fund had \$5,237,919 in revenues and \$4,514,025 in expenditures. The General Fund's balance increased \$755,634. The Permanent Improvement Fund had \$411,863 in revenues and \$154,899 in expenditures. The Permanent Improvement Fund's balance increased \$253,882. The Adult Education Fund had \$2,708,379 in revenues and \$3,014,356 in expenditures. The Adult Education Fund's balance decreased \$187,235.

Using this Annual Financial Report

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant fund 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, 2004
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 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
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 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities	
	2004	2003 "Restated"
Assets		
Current and Other Assets	\$5,454,275	\$4,708,843
Capital Assets	2,814,926	2,820,739
Total Assets	<u>8,269,201</u>	<u>7,529,582</u>
Liabilities		
Long-term Liabilities	760,257	862,990
Other Liabilities	1,962,373	1,889,546
Total Liabilities	<u>2,722,630</u>	<u>2,752,536</u>
Net Assets		
Invested in Capital Assets, Net of Debt	2,383,669	2,308,611
Restricted	1,275,531	1,241,403
Unrestricted	1,887,371	1,227,032
Total Net Assets	<u>\$5,546,571</u>	<u>\$4,777,046</u>

Total assets increased \$739,619 due to an increase in cash offset by a reduction in capital assets caused by depreciation expense. Total liabilities decreased \$29,906, mostly due to debt repayments and a reduction in compensated absences payable due to employees retiring during the fiscal year.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004. Since this is the first year Lawrence County Joint Vocational School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Lawrence County Joint Vocational School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

Table 2
Changes in Net Assets

	Governmental Activities
	<u>2004</u>
Revenues	
Program Revenues	
Charges for Services	\$2,150,722
Operating Grants, Contributions and Interest	3,673,962
Capital Grants and Contributions	56,105
Total Program Revenues	<u>5,880,789</u>
General Revenues	
Property Taxes	1,452,176
Grants and Entitlements	2,397,557
Gifts and Donations	7,040
Investment Earnings	154,137
Miscellaneous	136,785
Total General Revenues	<u>4,147,695</u>
Total Revenues	<u>10,028,484</u>
Program Expenses	
Instruction:	
Regular	15,219
Vocational	3,539,284
Adult/Continuing	1,968,760
Support Services:	
Pupils	94,232
Instructional Staff	131,385
Board of Education	24,641
Administration	1,220,685
Fiscal	348,821
Operation and Maintenance of Plant	629,311
Central	198,738
Operation of Non-Instructional Services:	
Food Service Operations	233,983
Community Services	802,309
Extracurricular Activities	24,982
Interest and Fiscal Charges	26,609
Total Expenses	<u>9,258,959</u>
Increase in Net Assets	<u>\$769,525</u>

Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2003 have not been made since they are not available.

Table 3
Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2004</u>	<u>2004</u>
Program Expenses		
Instruction:		
Regular	\$15,219	\$15,219
Vocational	3,539,284	1,494,809
Adult/Continuing	1,968,760	201,895
Support Services:		
Pupils	94,232	88,547
Instructional Staff	131,385	76,100
Board of Education	24,641	24,641
Administration	1,220,685	542,082
Fiscal	348,821	320,491
Operation and Maintenance of Plant	629,311	561,110
Central	198,738	9,159
Operation of Non-Instructional Services:		
Food Service Operations	233,983	(2,229)
Community Services	802,309	(5,245)
Extracurricular Activities	24,982	24,982
Interest and Fiscal Charges	26,609	26,609
Total	<u>\$9,258,959</u>	<u>\$3,378,170</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 36% of total cost of services is supported through taxes and other general revenues.

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 \$10,106,555 and expenditures of \$9,351,218.

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.

Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

During the course of fiscal year 2004, the School District amended its General Fund budget, but not significantly.

For the General Fund, budget basis revenue was \$5,303,162, above original estimates of \$4,236,849. Of this \$1,066,313 difference, most was due to conservative estimates.

The School District's ending unobligated General Fund balance was \$2,308,534.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$2,814,926 invested in land, buildings, improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2004	2003 "Restated"
Land and Land Improvements	\$190,316	\$195,687
Buildings and Improvements	1,926,279	2,033,362
Furniture and Equipment	631,193	562,527
Vehicles	35,663	29,163
Construction in Progress	31,475	
Totals	<u>\$2,814,926</u>	<u>\$2,820,739</u>

See Note 8 for more information on Capital Assets.

Debt

At June 30, 2004, the School District had the following debt outstanding:

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2004	2003
Capital Leases Payable	\$22,636	\$35,279
Capital Improvement Notes	408,621	476,849
Total	<u>\$431,257</u>	<u>\$512,128</u>

See Note 13 for more information on debt.

Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

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, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,628,418
Property Taxes Receivable	1,490,577
Accounts Receivable	87,315
Intergovernmental Receivable	202,802
Prepaid Items	30,052
Materials and Supplies Inventory	15,111
Nondepreciable Capital Assets	109,260
Depreciable Capital Assets, Net	<u>2,705,666</u>
<i>Total Assets</i>	<u>8,269,201</u>
Liabilities	
Accounts Payable	92,600
Accrued Wages and Benefits Payable	338,156
Accrued Interest Payable	11,352
Vacation Benefits Payable	209,584
Matured Compensated Absences Payable	33,494
Deferred Revenue	1,245,053
Intergovernmental Payable	32,134
Long-Term Liabilities:	
Due within One Year	86,221
Due in More than One Year	<u>674,036</u>
<i>Total Liabilities</i>	<u>2,722,630</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,383,669
Restricted for:	
Other Purposes	653,668
Capital Projects	621,863
Unrestricted	<u>1,887,371</u>
<i>Total Net Assets</i>	<u><u>\$5,546,571</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, 2004

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$15,219	\$0	\$0	\$0	(\$15,219)
Vocational	3,539,284	65,561	1,942,063	36,851	(1,494,809)
Adult/Continuing	1,968,760	1,296,618	470,247	0	(201,895)
Support Services:					
Pupils	94,232	0	5,685	0	(88,547)
Instructional Staff	131,385	0	55,285	0	(76,100)
Board of Education	24,641	0	0	0	(24,641)
Administration	1,220,685	480,218	198,385	0	(542,082)
Fiscal	348,821	17,786	9,225	1,319	(320,491)
Operation and Maintenance of Plant	629,311	35,571	14,695	17,935	(561,110)
Central	198,738	115,305	74,274	0	(9,159)
Operation of Non-Instructional Services:					
Food Service Operations	233,983	139,663	96,549	0	2,229
Community Services	802,309	0	807,554	0	5,245
Extracurricular Activities	24,982	0	0	0	(24,982)
Interest and Fiscal Charges	26,609	0	0	0	(26,609)
Totals	\$9,258,959	\$2,150,722	\$3,673,962	\$56,105	(3,378,170)
General Revenues					
Property Taxes Levied for					
General Purposes					1,237,928
Capital Outlay					214,248
Gifts and Donations					7,040
Grants and Entitlements not Restricted to Specific Programs					2,397,557
Investment Earnings					154,137
Miscellaneous					136,785
<i>Total General Revenues</i>					<u>4,147,695</u>
<i>Change in Net Assets</i>					769,525
<i>Net Assets Beginning of Year - See Note 3</i>					<u>4,777,046</u>
<i>Net Assets End of Year</i>					<u><u>\$5,546,571</u></u>

See accompanying notes to the basic financial statements

Lawrence County Joint Vocational School District

Balance Sheet

Governmental Funds

June 30, 2004

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,395,040	\$96,036	\$587,510	\$549,832	\$3,628,418
Receivables:					
Property Taxes	1,271,684	0	218,893	0	1,490,577
Accounts	0	87,315	0	0	87,315
Intergovernmental	0	195,568	0	7,234	202,802
Interfund Receivable	125,000	0	0	0	125,000
Prepaid Items	20,145	6,507	0	3,400	30,052
Materials and Supplies Inventory	5,538	5,436	0	4,137	15,111
<i>Total Assets</i>	<u>\$3,817,407</u>	<u>\$390,862</u>	<u>\$806,403</u>	<u>\$564,603</u>	<u>\$5,579,275</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$51,694	\$33,019	\$1,638	\$6,249	\$92,600
Accrued Wages and Benefits Payable	289,317	36,481	0	12,358	338,156
Matured Compensated Absences	33,494	0	0	0	33,494
Interfund Payable	0	125,000	0	0	125,000
Deferred Revenue	1,252,353	160,094	215,745	7,234	1,635,426
Intergovernmental Payable	14,160	7,788	0	1,187	23,135
<i>Total Liabilities</i>	<u>1,641,018</u>	<u>362,382</u>	<u>217,383</u>	<u>27,028</u>	<u>2,247,811</u>
Fund Balances					
Reserved for Encumbrances	35,482	18,481	16,313	8,285	78,561
Reserved for Property Taxes	19,331	0	3,148	0	22,479
Unreserved:					
Designated for Textbooks	400,099	0	0	0	400,099
Designated for Capital Improvements	4,099	0	0	0	4,099
Designated for Health Insurance	69,796	34,899	0	0	104,695
Unreserved, Undesignated, Reported in:					
General Fund	1,647,582	0	0	0	1,647,582
Special Revenue Funds (Deficit)	0	(24,900)	0	547,707	522,807
Debt Service	0	0	0	847	847
Capital Project Funds (Deficit)	0	0	569,559	(19,264)	550,295
<i>Total Fund Balances</i>	<u>2,176,389</u>	<u>28,480</u>	<u>589,020</u>	<u>537,575</u>	<u>3,331,464</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,817,407</u>	<u>\$390,862</u>	<u>\$806,403</u>	<u>\$564,603</u>	<u>\$5,579,275</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, 2004

Total Governmental Fund Balances		\$3,331,464
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Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,814,926
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	223,045	
Accounts Receivable	35,537	
Grants	<u>131,791</u>	390,373

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.		(209,584)
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Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(8,999)
--	--	---------

Interest payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.		(11,352)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Capital Leases Payable	(22,636)	
Energy Conservation Bonds Payable	(408,621)	
Sick Leave Benefits Payable	<u>(329,000)</u>	<u>(760,257)</u>

Net Assets of Governmental Activities		<u><u>\$5,546,571</u></u>
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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, 2004

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,264,171	\$0	\$218,809	\$0	\$1,482,980
Intergovernmental	3,855,372	732,078	26,376	1,526,886	6,140,712
Investment Earnings	0	0	166,678	0	166,678
Tuition and Fees	16,756	1,448,088	0	0	1,464,844
Charges for Services	14,447	453,283	0	182,611	650,341
Gifts and Donations	0	0	0	7,040	7,040
Miscellaneous	87,173	74,930	0	31,857	193,960
<i>Total Revenues</i>	<u>5,237,919</u>	<u>2,708,379</u>	<u>411,863</u>	<u>1,748,394</u>	<u>10,106,555</u>
Expenditures					
Current:					
Instruction:					
Regular	15,122	0	0	0	15,122
Vocational	3,102,631	13,401	41,523	416,395	3,573,950
Adult/Continuing	0	1,934,643	0	0	1,934,643
Support Services:					
Pupils	99,806	0	0	3,947	103,753
Instructional Staff	104,818	0	0	26,046	130,864
Board of Education	20,338	0	432	0	20,770
Administration	392,096	763,797	0	50,532	1,206,425
Fiscal	310,575	26,393	7,342	18,725	363,035
Operation and Maintenance of Plant	443,657	75,944	105,602	3,127	628,330
Central	0	184,722	0	21,394	206,116
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	231,454	231,454
Community Services	0	0	0	802,309	802,309
Extracurricular Activities	24,982	0	0	0	24,982
Debt Service:					
Principal Retirement	0	12,643	0	68,228	80,871
Interest and Fiscal Charges	0	2,813	0	25,781	28,594
<i>Total Expenditures</i>	<u>4,514,025</u>	<u>3,014,356</u>	<u>154,899</u>	<u>1,667,938</u>	<u>9,351,218</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>723,894</u>	<u>(305,977)</u>	<u>256,964</u>	<u>80,456</u>	<u>755,337</u>
Other Financing Sources (Uses)					
Transfers In	173,903	118,742	44,971	170,044	507,660
Transfers Out	(142,163)	0	(48,053)	(317,444)	(507,660)
<i>Total Other Financing Sources (Uses)</i>	<u>31,740</u>	<u>118,742</u>	<u>(3,082)</u>	<u>(147,400)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>755,634</u>	<u>(187,235)</u>	<u>253,882</u>	<u>(66,944)</u>	<u>755,337</u>
<i>Fund Balances Beginning of Year- Restated (Note 3)</i>	<u>1,420,755</u>	<u>215,715</u>	<u>335,138</u>	<u>604,519</u>	<u>2,576,127</u>
<i>Fund Balances(Deficit) End of Year</i>	<u>\$2,176,389</u>	<u>\$28,480</u>	<u>\$589,020</u>	<u>\$537,575</u>	<u>\$3,331,464</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, 2004*

Net Change in Fund Balances - Total Governmental Funds	\$755,337
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*Amounts reported for governmental activities in the statement of activities
are different because*

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

Capital Asset Additions	233,326	
Depreciation Expense	(239,139)	(5,813)

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

Grants	(82,804)	
Accounts Receivable	35,537	
Delinquent Taxes	(30,804)	(78,071)

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

Capital Improvement Notes Payable	68,228	
Capital Leases Payable	12,643	80,871

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.	1,985
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Intergovernmental Payables	1,433	
Vacation Benefits Payable	(8,079)	
Sick Leave Benefits Payable	21,862	15,216

<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$769,525</u></u>
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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, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,050,991	\$1,291,524	\$1,291,524	\$0
Intergovernmental	2,990,279	3,855,372	3,855,372	0
Tuition and Fees	48,319	38,989	38,989	0
Charges for Services	5,400	14,447	14,447	0
Miscellaneous	141,860	102,830	102,830	0
<i>Total Revenues</i>	<u>4,236,849</u>	<u>5,303,162</u>	<u>5,303,162</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	20,350	22,090	22,090	0
Vocational	2,385,769	3,100,263	3,100,263	0
Support Services:				
Pupils	118,788	100,194	100,194	0
Instructional Staff	74,520	106,163	106,163	0
Board of Education	32,444	22,237	22,237	0
Administration	537,010	385,732	385,732	0
Fiscal	300,048	314,425	314,425	0
Operation and Maintenance of Plant	431,068	447,709	447,709	0
Extracurricular Activities	25,388	25,221	25,221	0
<i>Total Expenditures</i>	<u>3,925,385</u>	<u>4,524,034</u>	<u>4,524,034</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	<u>311,464</u>	<u>779,128</u>	<u>779,128</u>	<u>0</u>
Other Financing Sources (Uses)				
Transfers In	90,440	173,903	173,903	0
Transfers Out	(224,137)	(142,163)	(142,163)	0
Advances In	0	3,750	3,750	0
Advances Out	0	(125,000)	(125,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(133,697)</u>	<u>(89,510)</u>	<u>(89,510)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	177,767	689,618	689,618	0
<i>Fund Balance Beginning of Year</i>	1,514,407	1,514,407	1,514,407	0
Prior Year Encumbrances Appropriated	104,509	104,509	104,509	0
<i>Fund Balance End of Year</i>	<u>\$1,796,683</u>	<u>\$2,308,534</u>	<u>\$2,308,534</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, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$842,344	\$752,329	\$752,329	\$0
Tuition and Fees	1,325,999	1,460,353	1,460,353	0
Charges for Services	100	382,272	382,272	0
Miscellaneous	398,788	74,930	74,930	0
<i>Total Revenues</i>	<u>2,567,231</u>	<u>2,669,884</u>	<u>2,669,884</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Vocational	1,139	13,359	13,359	0
Adult/Continuing	1,763,317	1,999,395	1,999,395	0
Support Services:				
Administration	700,951	763,970	763,970	0
Fiscal	17,300	26,393	26,393	0
Operation and Maintenance of Plant	72,566	75,899	75,899	0
Central	122,289	186,157	186,157	0
<i>Total Expenditures</i>	<u>2,677,562</u>	<u>3,065,173</u>	<u>3,065,173</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(110,331)</u>	<u>(395,289)</u>	<u>(395,289)</u>	<u>0</u>
Other Financing Sources (Uses)				
Transfers In	26,656	118,742	118,742	0
Advances In	53,313	175,000	175,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>79,969</u>	<u>293,742</u>	<u>293,742</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(30,362)</u>	<u>(101,547)</u>	<u>(101,547)</u>	<u>0</u>
<i>Fund Balance Beginning of Year</i>	62,113	62,113	62,113	0
Prior Year Encumbrances Appropriated	84,893	84,893	84,893	0
<i>Fund Balance End of Year</i>	<u>\$116,644</u>	<u>\$45,459</u>	<u>\$45,459</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, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$10,440</u>
Liabilities	
Due to Students	<u>\$10,440</u>

See accompanying notes to the basic financial statements

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 1 - Description of the School District and Reporting Entity

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

The School District is staffed by 25 non-certificated employees, 150 certificated full-time teaching personnel and 9 administrative employees who provide services to 397 students and other community members. The School District currently operates one instructional building.

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

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

The School District participates in five organizations, two of which are defined as a jointly governed organization and three as insurance purchasing pools. The jointly governed organizations are the South Central Ohio Computer Association and Pilasco-Ross Special Education Regional Service Center, and the insurance purchasing pools are the Ohio School Boards Association Workers' Compensation Group Rating Program, the Ohio School Plan, and the Lawrence County Insurance Purchasing Consortium. These organizations are presented in Notes 16 and 17 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, 2004*

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

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

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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 fund is an agency fund, which accounts for student activities.

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

Lawrence County Joint Vocational School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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 6). 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, 2004, but which were levied to finance fiscal year 2005 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".

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 be transferred to the Permanent Improvement Fund. Interest revenue credited to the Permanent Improvement Fund during fiscal year 2004 amounted to \$166,678, which includes \$144,212 assigned from other School District 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.

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, 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 increased the capitalization threshold from \$500 to \$2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 20 years
Vehicles	8 years

I. Compensated Absences

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

Lawrence County Joint Vocational School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

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

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

J. Accrued Liabilities and Long-term Obligations

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

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

K. Interfund Activity

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

L. Fund Balance Reserves

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

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

Lawrence County Joint Vocational School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

N. Extraordinary and Special Items

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

O. Estimates

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

P. Budgetary Process

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

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

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

Lawrence County Joint Vocational School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at year end.

Q. Designated Fund Balance

The School District has designations of fund balances on the balance sheet of \$473,994 in the General Fund and \$34,899 in the Adult Education Fund for money set aside by the Board of Education for the potential payment of future health insurance premiums, capital improvements and textbooks.

Note 3 - Changes in Accounting Principles

Changes in Accounting Principles For fiscal year 2004, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”, GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, and GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences.”

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

The government-wide financial statements split the School District’s programs between business-type activities, if any, and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes and rescinds certain financial statement disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, “The Financial Reporting Entity”. The implementation of this new statement had no effect on the School District’s financial statements for fiscal year 2003.

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. This situation did not exist for fiscal year 2003.

Restatement of Fund Balance It was determined that the Food Service and Adult Education Enterprise Funds should be reclassified as special revenue funds. It was also determined that the 21st Century Grant Special Revenue Fund should be reclassified as an agency fund. This restatement and the implementation of Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Adult Education	Permanent Improvement	Nonmajor	Total
Fund Balances, June 30, 2003	\$1,413,543	\$0	\$335,138	\$602,411	\$2,351,092
Fund Reclassification	0	215,715	0	2,108	217,823
Interpretation 6	7,212	0	0	0	7,212
Adjusted Fund Balances, June 30, 2003	<u>\$1,420,755</u>	<u>\$215,715</u>	<u>\$335,138</u>	<u>\$604,519</u>	<u>2,576,127</u>

GASB 34 Adjustments:

Capital Assets	2,820,739
Pension Obligation	(10,432)
Vacation Benefits Payable	(201,505)
Accrued Interest Payable	(13,337)
Long-term Liabilities	(862,990)
Long-term (Deferred) Assets	468,444
Governmental Activities Net Assets, June 30, 2003	<u>\$4,777,046</u>

	Business-Type Activities
Fund Equity, June 30, 2003	(\$278,181)
Fund Reclassification	278,181
Adjusted Net Assets, June 30, 2003	<u>\$0</u>

Note 4 - 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:

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

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

Net Change in Fund Balance

	<u>General</u>	<u>Adult Education</u>
GAAP Basis	\$755,634	(\$187,235)
Revenue Accruals	52,702	(38,495)
Beginning of Year:		
Prepaid Items	17,305	6,146
Unreported Interest	12,541	0
End of Year		
Prepaid Items	(20,145)	(6,507)
Advances In	3,750	175,000
Advances Out	(125,000)	0
Expenditure Accruals	79,337	121
Encumbrances	(86,506)	(50,577)
Budget Basis	<u>\$689,618</u>	<u>(\$101,547)</u>

Note 5 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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.

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

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

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

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$3,638,858 and the bank balance was \$3,745,232. Of the bank balance:

1. \$100,000 was covered by federal deposit insurance;
2. \$3,000,000 was collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name; and
3. \$645,232 was uninsured and uncollateralized. Except as noted below, although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Ohio Rev. Code Section 135.18(A) requires that the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities, among others.

Funds on deposit belonging to the School District were not secured by an amount equal to the funds on deposit at June 30, 2004. The amount uninsured and uncollateralized at June 30, 2004 was \$645,235.

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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.

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lawrence and Gallia County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 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, 2004 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, 2004, was \$19,331 in the General Fund and \$3,148 in the Permanent Improvements Capital Projects Fund. The amount available as an advance at June 30, 2003, was \$46,684 in the General Fund and \$7,776 in the Permanent Improvements Capital Projects Fund.

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

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

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$532,646,268	84%	\$464,551,250	72%
Public Utility Personal	57,069,243	9%	81,409,420	13%
Tangible Personal Property	44,387,189	7%	101,574,550	15%
Total	<u>\$634,102,700</u>	<u>100%</u>	<u>\$647,535,220</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$2.90		\$2.90	

Note 7 - Receivables

Receivables at June 30, 2004, consisted of property taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

Lawrence County Joint Vocational School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Special Revenue Funds:	
Adult Education	\$195,568
Miscellaneous State Grants	234
WIA Adult Program Fund	<u>7,000</u>
Total Intergovernmental Receivables	<u><u>\$202,802</u></u>

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	"Restated" Balance 6/30/2003	Additions	Deductions	Balance 6/30/2004
Capital Assets:				
Capital Assets not being depreciated:				
Land and Land Improvements	\$109,260	\$0	\$0	\$109,260
Construction in Progress	0	31,475	0	31,475
Total Capital Assets not being Depreciated	<u>109,260</u>	<u>31,475</u>	<u>0</u>	<u>140,735</u>
Depreciable Capital Assets:				
Buildings and Improvements	6,186,123	0	0	6,186,123
Land Improvements	655,896	0	0	655,896
Furniture and Equipment	1,213,251	184,026	0	1,397,277
Vehicles	367,953	17,825	0	385,778
Total Capital Assets being Depreciated	<u>8,423,223</u>	<u>201,851</u>	<u>0</u>	<u>8,625,074</u>
Less Accumulated Depreciation				
Buildings and Improvements	(4,152,761)	(107,083)	0	(4,259,844)
Land Improvements	(569,469)	(5,371)	0	(574,840)
Furniture and Equipment	(650,724)	(115,360)	0	(766,084)
Vehicles	(338,790)	(11,325)	0	(350,115)
Total Accumulated Depreciation	<u>(5,711,744)</u>	<u>(239,139) *</u>	<u>0</u>	<u>(5,950,883)</u>
Total Capital Assets being Depreciated, Net	<u>2,711,479</u>	<u>(37,288)</u>	<u>0</u>	<u>2,674,191</u>
Capital Assets, Net	<u><u>\$2,820,739</u></u>	<u><u>(\$5,813)</u></u>	<u><u>\$0</u></u>	<u><u>\$2,814,926</u></u>

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	\$204,818
Adult Education	16,588
Support Services:	
Board of Education	3,871
Administration	8,524
Operation and Maintenance of Plant	1,028
Central	2,701
Operation of Non-Instructional Services:	
Food Service Operations	1,609
Total Depreciation Expense	<u><u>\$239,139</u></u>

Of the total capital assets being depreciated amount, \$3,263,389 were fully depreciated at June 30, 2004.

Note 9 - 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 2004, the School District contracted with Indiana Insurance for property coverage.

During fiscal year 2004, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 17).

Lawrence County Joint Vocational School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

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

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

B. Worker's Compensation

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

Lawrence County Joint Vocational School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 10 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators, who are not on a twelve month contract, do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit to the amount of sick leave that may be accumulated. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum payment of 50 days.

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 Medical Mutual of Ohio. Premiums for this coverage are \$1,104.30 for family coverage and \$447.53 for single coverage per month. The School District pays 70% of the family coverage premium and 100% of the single coverage premium.

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

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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, 2004, plan members were required to contribute 10% percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$585,146, \$509,993, and \$549,573, respectively; 100 percent has been paid for fiscal years 2004, 2003, and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$19,115 made by the School District and \$18,312 made by the plan members.

B. School Employees Retirement System

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

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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$78,821, \$70,505 and \$55,023, respectively; 100 percent has been contributed for fiscal year 2004, 2003, and 2002.

Lawrence County Joint Vocational School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 12 - Postemployment Benefits

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

Retirees who participated in the DB or Combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$45,011 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

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

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, 2004, employer contributions to fund health care benefits were 4.91 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 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$57,958.

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

Lawrence County Joint Vocational School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 13 - Long Term Obligations

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

	Principal Outstanding 6/30/2003	Additions	Reductions	Principal Outstanding 6/30/2004	Amounts Due in One Year
Governmental Activities					
Capital Lease	\$35,279	\$0	\$12,643	\$22,636	\$13,898
Capital Improvement Note, 2000-6.00%	89,288	0	43,319	45,969	45,969
Capital Improvement Note, 2000-5.50%	387,561	0	24,909	362,652	26,354
Sick Leave Benefits	350,862	86,073	107,935	329,000	0
Total Governmental Activities					
Long-Term Liabilities	<u>\$862,990</u>	<u>\$86,073</u>	<u>\$188,806</u>	<u>\$760,257</u>	<u>\$86,221</u>

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

The capital improvement notes, which consist of a heating and cooling system note and a farm note, were originally issued in the amount of \$472,471 and \$204,950 respectively. The capital improvement notes will be paid from the Debt Service Funds and are backed by the full faith and credit of the Lawrence County Joint Vocational School District. Principal and interest requirements to retire the notes outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$72,323	\$21,684	\$94,007
2006	27,824	18,133	45,957
2007	29,375	16,581	45,956
2008	30,973	14,983	45,956
2009	32,739	13,217	45,956
2010 - 2014	193,182	36,599	229,781
2015	22,205	620	22,825
	<u>\$408,621</u>	<u>\$121,817</u>	<u>\$530,438</u>

The overall debt margin of the School District as of June 30, 2004, was \$58,277,994, with an unvoted debt margin of \$647,533.

Note 14 - Capitalized Leases - Lessee Disclosure

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

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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, 2004.

Fiscal Year Ending June 30,	Amount
2005	\$15,456
2006	9,016
Total minimum lease payments	24,472
Less: amount representing interest	(1,836)
Present value of minimum lease payments	<u>\$22,636</u>

Note 15 – Interfund Balances and Transfers

Interfund receivables and payables at June 30, 2004, consist of the following individual balances, representing monies advanced to federal grant funds to be repaid when grant funds are received:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:	\$125,000	\$0
Special Revenue Funds:		
Adult Education	0	125,000
Total Special Revenue Funds	0	125,000
Total All Funds	<u>\$125,000</u>	<u>\$125,000</u>

During fiscal year 2004, the General Fund made transfers to the Permanent Improvement Capital Projects Fund in the amount of \$44,971 for the purchase of capital equipment, and to other non-major governmental funds, in the amount of \$97,192, to subsidize various programs in other funds. \$48,053 was transferred from the Permanent Improvement Capital Projects Fund to the Bond Retirement Fund for the repayment of debt. Various non-major governmental funds transferred \$173,903 to the General Fund, \$118,742 to the Adult Education Special Revenue Fund and \$24,799 to other non-major governmental funds.

Transfer from	Transfer to				Total
	General Fund	Permanent Improvement Fund	Adult Education Fund	Other Non-Major Governmental Funds	
General Fund	\$0	\$44,971	\$0	\$97,192	\$142,163
Permanent Improvement Fund	0	0	0	48,053	48,053
Other Non-Major Governmental Funds	173,903	0	118,742	24,799	317,444
Total	<u>\$173,903</u>	<u>\$44,971</u>	<u>\$118,742</u>	<u>\$170,044</u>	<u>\$507,660</u>

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 16 - Jointly Governed Organization

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. Lawrence County Joint Vocational School District paid \$58,574 for services provided during fiscal year 2004. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

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

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

Note 17 - Insurance Purchasing Pools

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

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

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

Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 18 - 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.

	Textbooks	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2003	\$0	\$0
Current Year Set-Aside Requirement	59,254	59,254
Additional Set-Aside Requirement	75,000	0
Prior Year's Carry Over	(137,825)	0
Current Year Offsets	0	(249,812)
Qualifying Disbursements	(513,930)	(68,196)
Totals	<u>(\$517,501)</u>	<u>(\$258,754)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$517,501)</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2004	<u>\$0</u>	<u>\$0</u>
Additional Amount Set-Aside By Treasurer	<u>\$400,099</u>	<u>\$4,099</u>

The School District had qualifying expenditures and offsets during the fiscal year that reduced the textbook and capital improvement set-aside amounts below zero. The extra amounts in the textbooks set-aside may be used to reduce the set-aside requirements of future years. The additional amounts set-aside by the School District Treasurer are reported as designated on the basic financial statements.

Note 19 – State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

Lawrence County Joint Vocational School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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, 2004.

B. Litigation

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

Note 21 – Federal Family Education Loans

Federal Family Education Loans (Federal CFDA Number 84.032) processed for students by the School District during the year ended June 30, 2004, are summarized as follows:

Federal Stafford Loans	\$542,199
Federal Unsubsidized Stafford Loans	684,070
Federal Parental Loans for Undergraduate Students (PLUS)	<u>59,484</u>
Total:	<u>\$1,285,753</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.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR JUNE 30, 2004**

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>						
Nutrition Cluster:						
Food Donation	N/A	10.550	\$	\$4,065	\$	\$4,065
School Breakfast Program	05PU-2003 05PU-2004	10.553	2,971 20,767		2,971 20,767	
Total School Breakfast Program			23,738	0	23,738	0
National School Lunch Program	LLP4-2003 LLP4-2004	10.555	11,551 53,255		11,551 53,255	
Total National School Lunch Program			64,806	0	64,806	0
Total Nutrition Cluster			88,544	4,065	88,544	4,065
<i>Direct from Federal Government:</i>						
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	N/A	10.226			1,693	
Total United States Department of Agriculture			88,544	4,065	90,237	4,065
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Vocational Education - Basic Grants to States	20A0-2002 20C1-2002 20C2-2002 20C1-2003 20C2-2003 20C1-2004 20C2-2004	84.048			24,800 52,207 53,608 99,190 39,167 197,858 10,355	
Total Vocational Education - Basic Grants to States			422,062	0	477,185	0
Safe and Drug-Free Schools and Communities - State Grants	DRS1-2003 DRS1-2004	84.186			783 813	
Total Safe and Drug-Free Schools and Communities - State Grants			813	0	1,596	0
Eisenhower Professional Development State Grants	MSS1-2001	84.281	99		99	
State Grants for Innovative Programs	C2S1-2002 C2S1-2003 C2S1-2004	84.298			923 1,883 2,462	
Total State Grants for Innovative Programs			2,462	0	5,268	0
Improving Teacher Quality State Grants	TRS1-2003 TRS1-2004	84.367			2,131 1,085	
Total Improving Teacher Quality State Grants			2,384	0	3,216	0
<i>Passed Through Ohio University:</i>						
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	N/A	84.334A	50,000		50,000	
<i>Direct from Federal Government:</i>						
Federal Pell Grant Program	N/A	84.063	806,189		797,209	
Rural Education	N/A	84.358	55,203		82,511	
Total United States Department of Education			1,339,212	0	1,417,084	0
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
<i>Passed Through the Huntington, WV Ironton, OH Empowerment Zone, Inc.:</i>						
Empowerment Zones Program	N/A	14.244	36,239		36,239	
Total United States Department of Housing and Urban Development			36,239	0	36,239	0
UNITED STATES DEPARTMENT OF LABOR						
<i>Passed Through Ohio Department of Education:</i>						
WIA Adult Program	WFHS-2003/2004	17.258	47,656		36,738	
Total United States Department of Labor			47,656	0	36,738	0
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			\$1,511,651	\$4,065	\$1,580,298	\$4,065

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

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

NOTE C – MATCHING REQUIREMENTS

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

NOTE D – FEDERAL FAMILY EDUCATION LOANS

Federal Family Education Loans (Federal CFDA Number 84.032) processed for students by the School District during the year ended June 30, 2004, are summarized as follows:

Federal Stafford Loans	\$ 542,199
Federal Unsubsidized Stafford Loans	684,070
Federal Parental Loans for Undergraduate Students (PLUS)	<u>59,484</u>
Total:	<u>\$1,285,753</u>

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



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated July 11, 2005, wherein we noted the School District has adopted Governmental Accounting Standards Board Statements No. 34, 37, 38, 39 and 41 and Interpretation 6. 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 July 11, 2005, 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 financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-001. In a separate letter to the School District's management dated July 11, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

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

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

Betty Montgomery
Auditor of State

July 11, 2005



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2004. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its 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.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2004.

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.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated July 11, 2005.

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



Betty Montgomery
Auditor of State

July 11, 2005

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

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)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	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?	Yes

LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)

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

Noncompliance Citation

Ohio Rev. Code Section 135.18(A) states that the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities, among others.

Funds on deposit belonging to the School District were not secured by an amount equal to the funds on deposit at June 30, 2004. The amount uninsured and uncollateralized at June 30, 2004 was \$645,235.

We recommend the School District require its depository to provide as security an amount equal to the funds on deposit at all times.

3. FINDINGS FOR FEDERAL AWARDS

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Rev. Code Section 5705.41(B) expenditures exceeded appropriations.	Partially Corrected	Issued management letter comment.

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	School District Treasurer has obtained an increased amount of pledged collateral.	March 17, 2005	Joyce Blazer, School District Treasurer



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 4, 2005**