



Dave Yost • Auditor of State

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

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County Joint Vocational School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County Joint Vocational School District, Jefferson County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "David Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

David Yost
Auditor of State

January 20, 2012

Jefferson County Joint Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

The discussion and analysis of the Jefferson County Joint Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2010 are as follows:

- In total, net assets increased \$182,122.
- General revenues accounted for \$4,571,003, in revenue or 82 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$974,352 or 18 percent of total revenues of \$5,545,355.
- Total assets increased \$1,494,504. The increase was due primarily to the House Bill 264 energy conservation project.
- The School District had \$5,363,233 in expenses related to governmental activities; only \$974,352 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$4,571,003 were adequate to provide for these programs.
- The School District has two major funds, the General Fund and the Energy Conservation Fund. The General Fund had \$4,937,194 in revenues and \$4,930,800 in expenditures. Overall, including other financing sources (uses), the General Fund's balance decreased \$13,475. The Energy Conservation Fund had \$850,111 in expenditures. Overall, the issuance of general obligation bonds, which was reflected as other financing sources, the Energy Conservation Fund's balance increased \$228,579.

Using this Annual Financial Report

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

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

Jefferson County Joint Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

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 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are considered to be Governmental Activities.

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, food service operations and debt service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 6. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Energy Conservation Capital Projects Fund.

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

Jefferson County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
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 2010 compared to 2009.

Table 1
Net Assets

	Governmental Activities		
	<u>2010</u>	<u>2009</u>	<u>Change</u>
Assets			
Current and Other Assets	\$3,546,417	\$2,798,341	\$748,076
Capital Assets	<u>2,879,472</u>	<u>2,133,044</u>	<u>746,428</u>
Total Assets	<u>6,425,889</u>	<u>4,931,385</u>	<u>1,494,504</u>
Liabilities			
Long-Term Liabilities	1,416,631	317,853	1,098,778
Other Liabilities	<u>2,258,823</u>	<u>2,045,219</u>	<u>213,604</u>
Total Liabilities	<u>3,675,454</u>	<u>2,363,072</u>	<u>1,312,382</u>
Net Assets			
Invested in Capital Assets	2,050,100	2,133,044	(82,944)
Restricted	144,924	67,371	77,553
Unrestricted	<u>555,411</u>	<u>367,898</u>	<u>187,513</u>
Total Net Assets	<u><u>\$2,750,435</u></u>	<u><u>\$2,568,313</u></u>	<u><u>\$182,122</u></u>

Total assets increased \$1,494,504. The increase was primarily due to an increase in capital assets and cash related to the House Bill 264 energy conservation project.

Total liabilities increased \$1,312,382. The primary cause for this increase was due to the issuance of \$1,078,690 in general obligation bonds to finance an energy conservation project.

Jefferson County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2010 and 2009.

Table 2
Changes in Net Assets

	Governmental Activities		Change
	2010	2009	
Revenues			
Program Revenues			
Charges for Services	\$332,768	\$423,845	(\$91,077)
Operating Grants and Contributions	641,584	695,543	(53,959)
Total Program Revenues	974,352	1,119,388	(145,036)
General Revenues			
Property Taxes	1,646,305	1,570,208	76,097
Grants and Entitlements not Restricted to Specific Programs	2,850,800	2,683,237	167,563
Investments	22,470	19,669	2,801
Other	51,428	13,998	37,430
Total General Revenues	4,571,003	4,287,112	283,891
Total Revenues	5,545,355	5,406,500	138,855
Program Expenses			
Instruction			
Regular	331,156	323,145	8,011
Special	223,111	219,723	3,388
Vocational	2,858,351	3,013,475	(155,124)
Adult/Continuing	10,657	11,930	(1,273)
Student Intervention	3,832	5,462	(1,630)
Support Services			
Pupil	156,575	199,026	(42,451)
Instructional Staff	364,640	314,131	50,509
Board of Education	39,007	42,948	(3,941)
Administration	239,497	241,313	(1,816)
Fiscal	289,539	225,245	64,294
Operation and Maintenance of Plant	646,228	660,944	(14,716)
Central	24,185	17,401	6,784
Food Service Operations	167,198	199,450	(32,252)
Interest and Fiscal Charges	9,257	1,282	7,975
Total Expenses	5,363,233	5,475,475	(112,242)
Increase (Decrease) in Net Assets	182,122	(68,975)	251,097
Net Assets Beginning of Year	2,568,313	2,637,288	(68,975)
Net Assets End of Year	\$2,750,435	\$2,568,313	\$182,122

In 2010, 30 percent of the School District's revenues were from property taxes and 51 percent were from unrestricted grants and entitlements. The School District realized significant decreases in operating grants

Jefferson County Joint Vocational School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited*

and contributions program revenue from fiscal year 2009, primarily due to the loss of an Appalachian Regional Commission Grant.

Instructional programs comprise approximately 64 percent of total governmental program expenses, and decreased \$146,628 from fiscal year 2009. Overall, program expenses of the School District decreased by \$112,242. The largest decrease being reflected in vocational instruction expenses which was offset by the increases in support services fiscal and instructional staff expenses.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2010 and 2009. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction				
Regular	\$331,156	\$323,145	\$331,156	\$323,145
Special	223,111	219,723	(17,211)	(18,810)
Vocational	2,858,351	3,013,475	2,349,135	2,353,746
Adult/Continuing	10,657	11,930	6,104	5,009
Student Intervention	3,832	5,462	3,832	5,462
Support Services				
Pupil	156,575	199,026	156,575	199,026
Instructional Staff	364,640	314,131	346,786	294,113
Board of Education	39,007	42,948	39,007	42,948
Administration	239,497	241,313	239,497	241,313
Fiscal	289,539	225,245	288,949	217,135
Operation and Maintenance of Plant	646,228	660,944	639,234	660,944
Central	24,185	17,401	5,504	4,872
Food Service Operations	167,198	199,450	(8,944)	25,902
Interest and Fiscal Charges	9,257	1,282	9,257	1,282
Total Expenses	\$5,363,233	\$5,475,475	\$4,388,881	\$4,356,087

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

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. Total Governmental funds had \$5,498,786 in revenues

Jefferson County Joint Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

and expenditures of \$6,288,180; overall, including other financing sources (uses), the Governmental Funds' balance increased \$289,296 during fiscal year 2010.

General Fund Budgeting Highlights

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

During the course of fiscal 2010 the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and final budget or final budget and actual.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$2,879,472 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles.

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

Debt

During fiscal year 2010, the School District issued \$1,078,690 of general obligation bonds to finance an energy conservation project. The bonds were issued at a 2.170 percent interest rate for a period of fifteen years. As of June 30, 2010, no repayments on the debt have been made, and the entire amount remains outstanding with \$72,534 due in one year (See Note 17 for more detailed information).

Economic Factors

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

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

During fiscal year 2010, the fifth house was auctioned off with house six in process. House six will be auctioned in the fall of fiscal year 2012, due to each house taking approximately a year and a half to complete and depending on weather and class enrollment. House seven will not be ready to start until the fall of fiscal year 2013 by the junior class, but will not be ready for auction until the spring of 2014.

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

Jefferson County Joint Vocational School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited*

Contacting the School District's Financial Management

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

Jefferson County Joint Vocational School District
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$773,249
Intergovernmental Receivable	14,669
Materials and Supplies Inventory	10,415
Property Taxes Receivable	1,708,828
Cash and Cash Equivalents with Fiscal Agent	989,758
Asset Held for Resale	28,759
Deferred Charges	20,739
Non-Depreciable Capital Assets	917,190
Depreciable Capital Assets, Net	1,962,282
<i>Total Assets</i>	6,425,889
Liabilities	
Accounts Payable	8,858
Accrued Wages and Benefits Payable	450,198
Intergovernmental Payable	73,458
Contracts Payable	283,502
Accrued Interest Payable	6,734
Claims Payable	71,125
Deferred Revenue	1,364,948
Long-Term Liabilities:	
Due Within One Year	84,422
Due In More Than One Year	1,332,209
	3,675,454
<i>Total Liabilities</i>	3,675,454
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,050,100
Restricted for:	
Capital Projects	90,600
Food Service	17,053
Federal Grants	1,465
State Grant	1,162
Budget Stabilization	17,604
Other Purposes	17,040
Unrestricted	555,411
<i>Total Net Assets</i>	\$2,750,435

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District

Statement of Activities

For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$331,156	\$0	\$0	(\$331,156)
Special	223,111	0	240,322	17,211
Vocational	2,858,351	232,459	276,757	(2,349,135)
Adult/Continuing	10,657	4,553	0	(6,104)
Student Intervention Services	3,832	0	0	(3,832)
Support Services:				
Pupil	156,575	0	0	(156,575)
Instructional Staff	364,640	9,792	8,062	(346,786)
Board of Education	39,007	0	0	(39,007)
Administration	239,497	0	0	(239,497)
Fiscal	289,539	0	590	(288,949)
Operation and Maintenance of Plant	646,228	0	6,994	(639,234)
Central	24,185	0	18,681	(5,504)
Food Service Operations	167,198	85,964	90,178	8,944
Interest and Fiscal Charges	9,257	0	0	(9,257)
<i>Total Governmental Activities</i>	<u>\$5,363,233</u>	<u>\$332,768</u>	<u>\$641,584</u>	<u>(4,388,881)</u>
 General Revenues				
				1,532,203
Property Taxes Levied for General Purposes				114,102
Property Taxes Levied for Capital Purposes				2,850,800
Grants and Entitlements not Restricted to Specific Programs				4,050
Gifts and Donations				22,470
Investment Earnings				47,378
Miscellaneous				
<i>Total General Revenues</i>				<u>4,571,003</u>
Change in Net Assets				182,122
<i>Net Assets Beginning of Year</i>				<u>2,568,313</u>
<i>Net Assets End of Year</i>				<u>\$2,750,435</u>

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Energy Conservation Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$138,444	\$512,081	\$105,120	\$755,645
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	17,604	0	0	17,604
Receivables:				
Property Taxes	1,616,838	0	91,990	1,708,828
Intergovernmental	0	0	14,669	14,669
Interfund	4,000	0	0	4,000
Asset Held for Resale	28,759	0	0	28,759
Materials and Supplies Inventory	0	0	10,415	10,415
<i>Total Assets</i>	<u>\$1,805,645</u>	<u>\$512,081</u>	<u>\$222,194</u>	<u>\$2,539,920</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$8,858	\$0	\$0	\$8,858
Accrued Wages and Benefits Payable	440,091	0	10,107	450,198
Contracts Payable	0	283,502	0	283,502
Interfund Payable	0	0	4,000	4,000
Intergovernmental Payable	64,567	0	8,891	73,458
Deferred Revenue	1,460,413	0	86,162	1,546,575
<i>Total Liabilities</i>	<u>1,973,929</u>	<u>283,502</u>	<u>109,160</u>	<u>2,366,591</u>
Fund Balances (Deficit)				
Reserved for Encumbrances	64,957	0	31,809	96,766
Reserved for Property Taxes	156,425	0	7,576	164,001
Reserved for Budget Stabilization	17,604	0	0	17,604
Unreserved, Undesignated, Reported in:				
General Fund	(407,270)	0	0	(407,270)
Special Revenue Funds	0	0	18,196	18,196
Capital Projects Funds	0	228,579	55,453	284,032
<i>Total Fund Balances (Deficit)</i>	<u>(168,284)</u>	<u>228,579</u>	<u>113,034</u>	<u>173,329</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,805,645</u>	<u>\$512,081</u>	<u>\$222,194</u>	<u>\$2,539,920</u>

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2010*

Total Governmental Fund Balances	\$173,329
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,879,472
Other long-term assets, are not available to pay for current period expenditures and therefore are deferred in the funds.	
Grants	1,748
Property Taxes	<u>179,879</u>
Total	181,627
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.	20,739
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	918,633
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(6,734)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds - Serial	1,078,690
Compensated Absences	<u>337,941</u>
Total	<u>(1,416,631)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$2,750,435</u></u>

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Energy Conservation Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,511,147	\$0	\$112,489	\$1,623,636
Intergovernmental	3,159,686	0	330,950	3,490,636
Interest	318	0	0	318
Tuition and Fees	218,665	0	14,345	233,010
Extracurricular Activities	0	0	13,794	13,794
Gifts and Donations	0	0	4,050	4,050
Charges for Services	0	0	85,964	85,964
Miscellaneous	47,378	0	0	47,378
<i>Total Revenues</i>	<u>4,937,194</u>	<u>0</u>	<u>561,592</u>	<u>5,498,786</u>
Expenditures				
Current:				
Instruction:				
Regular	355,425	0	0	355,425
Special	229,720	0	0	229,720
Vocational	2,659,121	0	233,073	2,892,194
Adult/Continuing	0	0	10,431	10,431
Student Intervention Services	3,907	0	0	3,907
Support Services:				
Pupil	160,999	0	0	160,999
Instructional Staff	347,142	0	30,439	377,581
Board of Education	39,224	0	0	39,224
Administration	218,050	0	15,254	233,304
Fiscal	291,591	0	2,699	294,290
Operation and Maintenance of Plant	618,005	0	32,001	650,006
Central	5,504	0	18,681	24,185
Food Service Operations	0	0	164,691	164,691
Capital Outlay	0	828,961	0	828,961
Debt Service:				
Interest and Fiscal Charges	2,112	0	0	2,112
Issuance Costs	0	21,150	0	21,150
<i>Total Expenditures</i>	<u>4,930,800</u>	<u>850,111</u>	<u>507,269</u>	<u>6,288,180</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	6,394	(850,111)	54,323	(789,394)
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	1,078,690	0	1,078,690
Transfers In	0	0	19,869	19,869
Transfers Out	(19,869)	0	0	(19,869)
<i>Total Other Financing Sources (Uses)</i>	<u>(19,869)</u>	<u>1,078,690</u>	<u>19,869</u>	<u>1,078,690</u>
<i>Net Change in Fund Balances</i>	(13,475)	228,579	74,192	289,296
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(154,809)</u>	<u>0</u>	<u>38,842</u>	<u>(115,967)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$168,284)</u>	<u>\$228,579</u>	<u>\$113,034</u>	<u>\$173,329</u>

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds		\$289,296
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Fixed Assets Additions	948,198	
Depreciation	<u>(200,353)</u>	
Total		747,845
Capital Assets removed from the capital asset account on the statement of net assets results in a loss on disposal of capital assets on the statement of activities.		
		(1,417)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Grants	1,748	
Property Taxes	<u>22,669</u>	
Total		24,417
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.		
		(6,734)
Issuance costs are reported as an expenditure when paid in governmental funds, but are allocated as an expense over the life of the outstanding debt on the statement of activities.		
Issuance Costs	21,150	
Amortization of Issuance Costs	<u>(411)</u>	
Total		20,739
Long-term debt proceeds are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets		
		(1,078,690)
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences Payable		(20,088)
The internal service fund used by management to charge the costs of insurance to individual funds is included in the statement of activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenues of the internal service fund are allocated among governmental activities.		
		<u>206,754</u>
<i>Changes in Net Assets of Governmental Activities</i>		<u><u>\$182,122</u></u>
See accompanying notes to the basic financial statements		

Jefferson County Joint Vocational School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$1,480,716	\$1,454,333	\$1,454,333	\$0
Intergovernmental	3,136,427	3,159,686	3,159,686	0
Interest	4,500	318	318	0
Tuition and Fees	324,545	218,665	218,665	0
Miscellaneous	13,500	42,953	47,378	4,425
<i>Total Revenues</i>	<u>4,959,688</u>	<u>4,875,955</u>	<u>4,880,380</u>	<u>4,425</u>
Expenditures				
Current:				
Instruction:				
Regular	371,372	352,013	351,309	704
Special	297,995	228,328	228,326	2
Vocational	2,761,464	2,757,929	2,757,476	453
Student Intervention Services	5,036	3,907	3,907	0
Support Services:				
Pupil	192,962	158,753	158,751	2
Instructional Staff	346,245	333,331	328,687	4,644
Board of Education	42,035	40,462	40,376	86
Administration	220,961	210,497	210,497	0
Fiscal	297,414	284,156	284,156	0
Operation and Maintenance of Plant	637,359	637,027	636,455	572
Central	18,976	5,867	5,867	0
<i>Total Expenditures</i>	<u>5,191,819</u>	<u>5,012,270</u>	<u>5,005,807</u>	<u>6,463</u>
Excess of Revenues Under Expenditures	<u>(232,131)</u>	<u>(136,315)</u>	<u>(125,427)</u>	<u>10,888</u>
Other Financing Sources (Uses)				
Sale of Assets Held for Resale	160,000	150,708	150,708	0
Tax Anticipation Note Issued	0	200,000	200,000	0
Advances Out	0	(4,000)	(4,000)	0
Transfers Out	0	(221,982)	(221,982)	0
<i>Total Other Financing Sources (Uses)</i>	<u>160,000</u>	<u>124,726</u>	<u>124,726</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(72,131)</u>	<u>(11,589)</u>	<u>(701)</u>	<u>10,888</u>
<i>Fund Balance Beginning of Year</i>	14,509	14,509	14,509	0
Prior Year Encumbrances Appropriated	<u>71,180</u>	<u>71,180</u>	<u>71,180</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$13,558</u>	<u>\$74,100</u>	<u>\$84,988</u>	<u>\$10,888</u>

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2010

	<u>Governmental Activity Internal Service Fund</u>
Current Assets	
Cash and Cash Equivalents with Fiscal Agent	\$989,758
Current Liabilities	
Claims Payable	<u>71,125</u>
Net Assets	
Unrestricted	<u>918,633</u>
<i>Total Net Assets</i>	<u><u>\$918,633</u></u>

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
Operating Revenues	
Charges for Services	<u>\$896,210</u>
Operating Expenses	
Purchased Services	144,081
Claims	<u>567,527</u>
<i>Total Operating Expenses</i>	<u>711,608</u>
<i>Operating Income</i>	184,602
Non-Operating Revenues	
Interest	<u>22,152</u>
<i>Change in Net Assets</i>	206,754
<i>Net Assets Beginning of Year</i>	<u>711,879</u>
<i>Net Assets End of Year</i>	<u><u>\$918,633</u></u>

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	Governmental Activity
Increase (Decrease) in Cash and Cash Equivalents	Internal Service Fund
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$896,210
Cash Payments for Goods and Services	(144,081)
Cash Payments for Claims	(585,767)
	166,362
Cash Flows from Investing Activities	
Interest	22,152
	22,152
<i>Net Cash Provided by Investing Activities</i>	<i>22,152</i>
<i>Net Increase in Cash and Cash Equivalents</i>	<i>188,514</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>801,244</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$989,758</i>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$184,602
Decrease in Liabilities:	
Claims Payable	(18,240)
	(18,240)
<i>Net Cash Provided by Operating Activities</i>	<i>\$166,362</i>

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2010

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$27,053</u>
<i>Total Assets</i>	<u><u>\$27,053</u></u>
Liabilities	
Due to Students	<u>\$27,053</u>
<i>Total Liabilities</i>	<u><u>\$27,053</u></u>

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

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

Ground breaking occurred on January 26, 1974. September, 1975 the Jefferson County Joint Vocational School District opened with 375 students and 15 programs. The first senior class completed their programs in June of 1977. Currently, the District is staffed by 4 administrative employees, 20 non-certificated employees and 37 certificated personnel who provide services to 378 students and other community members.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

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

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

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

RESA) Self-Insurance plan, a risk sharing, claims servicing, and insurance purchasing pool. These organizations are presented in Notes 18 and 19.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

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

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's two 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. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Energy Conservation Fund - The Energy Conservation Fund is used to account for the proceeds of general obligation bonds issued to finance an Energy Conservation Project in accordance with House Bill 264.

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

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

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The School District's fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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.

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

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

E. Cash and Cash Equivalents

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

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

During fiscal year 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for at June 30, 2010.

Following Ohio statues, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$318 which includes \$254, assigned from other School District funds.

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

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund include amounts required by State Statute to be set aside to create a reserve for budget stabilization. See Note 20 for additional information regarding set-asides.

G. Assets Held for Resale

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

During fiscal year 2004, the School District completed and sold one house, as well as completed the road and water and sewer assets that were given to the township and county respectively. During fiscal year 2005, the School District completed and sold a second house. The proceeds from the sale offset the building expenditures and asset held for resale on a modified accrual basis for the fiscal year 2005 activity. During fiscal year 2007, the School District completed and sold a third house. The proceeds

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

from the sale offset the building expenditures and asset held for resale on a modified accrual basis for the fiscal year 2007 activity. During fiscal year 2008, the School District completed and sold a fourth house. The proceeds from the sale offset the building expenditures and asset held for resale on a modified accrual basis for the fiscal year 2008 activity. During fiscal year 2010, the School District completed and sold a fifth house. The proceeds from the sale offset the building expenditures and asset held for resale on a modified accrual basis for the fiscal year 2010 activity. The value of the sixth home that was partially constructed at June 30, 2010 is \$28,759 and is recorded as an asset held for resale at June 30, 2010.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Inventory

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

J. Capital Assets

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

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

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

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

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

K. Interfund Balances

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

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year service.

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

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

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, and compensated absences, which will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

N. Bond Premiums, Discounts, and Issuance Costs

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

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

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

O. Interfund Activity

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

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

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

P. Fund Balance Reserves

The School District reserves those portions of fund equity 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, property taxes and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State Statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include local receipts restricted for student programs. Of the restricted net assets, none has resulted from enabling legislation.

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

R. Operating Revenues and Expenses

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

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

S. Extraordinary and Special Items

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

T. Estimates

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

U. Budgetary Data

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

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

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES / RESTATEMENTS

A. Changes in Accounting Principles

For 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

such assets among state and local governments. The implementation of this statement did not result in any material change to the School District's financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

NOTE 4 – FUND DEFICIT

The General Fund's deficit balance of \$168,284 was the result of the application of generally accepted accounting principles. The primary cause of the deficit balance is due to the recognition of liabilities for accrued wages, benefits, and intergovernmental payables. The School District will monitor future spending.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

4. Proceeds from short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Transfers out that were reported from the General Fund to reflect debt service payments in the Debt Service Fund as required by the ORC (budget basis), are reflected in the General Fund (GAAP basis).
6. Advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
7. The proceeds from the sale of assets held for resale are reported on the operating statement (budget basis) and reduce the value of the asset on the balance sheet (GAAP basis).

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

	<u>General</u>
GAAP Basis	(\$13,475)
Revenue Accruals	(56,814)
Proceeds of Note	200,000
Expenditure Accruals	(3,947)
Sale of Assets Held for Resale	150,708
Transfers Out	(202,113)
Advance Out	(4,000)
Encumbrances	<u>(71,060)</u>
Budget Basis	<u><u>(\$701)</u></u>

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

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

At June 30, 2010, the School District's internal service fund had a balance of \$989,758 with OME-RESA, a risk sharing, claims servicing, and insurance purchasing pool (See Note 19). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the School District's bank balance of \$915,404 was fully insured by the FDIC under the temporary transaction account guarantee (TAG) program.

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

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Investments

As of June 30, 2010, the School District had an investment in Star Ohio. The fair value of the investment in Star Ohio was \$28,373, and the investment has an average maturity of 56 days.

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

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

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the school district 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 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 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.

Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies.

The School District receives property taxes from Jefferson, Harrison, Carroll and Belmont Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Accrued property taxes receivable represents real property, public utility property and tangible personal property taxes which were measurable as of June 30, 2010 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, 2010 was \$156,425 in the General Fund and \$7,576 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2009, was \$99,611 in the General Fund and \$4,555 in the Permanent Improvement Capital Projects Fund.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$919,166,720	78.23%	\$896,870,780	77.73%
Public Utility Personal	255,842,260	21.77%	256,950,650	22.27%
	<u>\$1,175,008,980</u>	<u>100.00%</u>	<u>\$1,153,821,430</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$1.50		\$1.50	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2010, consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$179,879 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Federal Lunch Subsidy	\$10,669
High Schools That Work Grant	4,000
	<u>\$14,669</u>

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 9 - INTERNAL BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at June 30, 2010, consist of the following interfund receivables and payables:

	Interfund Receivable
	<hr/>
<u>Interfund Payable</u>	General Fund
	<hr/>
Other Nonmajor Governmental Funds	\$4,000
	<hr/> <hr/>

The loans made to Other Non-Major Governmental Funds were made to support the programs until monies are received to finance the programs.

B. Transfers

	Transfer to
	<hr/>
	Other Nonmajor Governmental
	<hr/>
<u>Transfer from</u> General Fund	\$19,869
	<hr/> <hr/>

The transfer from the General Fund to the non-major governmental funds was made to cover costs relating to the adult education program.

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 10- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance 6/30/09	Additions	Deletions	Balance 6/30/10
Nondepreciable Capital Assets:				
Land	\$89,646	\$0	(\$1,417)	\$88,229
Construction in Progress	0	828,961	0	828,961
Total Nondepreciable Capital Assets	89,646	828,961	(1,417)	917,190
Depreciable Capital Assets:				
Land Improvements	117,111	0	0	117,111
Buildings and Improvements	4,990,550	29,000	0	5,019,550
Furniture and Equipment	2,258,474	90,237	0	2,348,711
Vehicles	32,030	0	0	32,030
Total Depreciable Capital Assets	7,398,165	119,237	0	7,517,402
Accumulated Depreciation:				
Land Improvements	(59,606)	(6,248)	0	(65,854)
Buildings and Improvements	(3,274,712)	(116,654)	0	(3,391,366)
Furniture and Equipment	(1,988,419)	(77,451)	0	(2,065,870)
Vehicles	(32,030)	0	0	(32,030)
Total Accumulated Depreciation	(5,354,767)	(200,353)	0	(5,555,120)
Total Depreciable Capital Assets, Net	2,043,398	(81,116)	0	1,962,282
Governmental Capital Assets, Net	\$2,133,044	\$747,845	(\$1,417)	\$2,879,472

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Vocational	\$156,294
Adult/Continuing	226
Support Services:	
Administration	5,320
Fiscal	1,167
Operation of Maintenance and Plant	34,839
Food Service Operations	2,507
Total Depreciation Expense	\$200,353

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 11- RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010 the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) (Note 19) for property, general liability, and fleet insurance. Coverages provided are as follows:

A. Property and Liability

<i>Property - Including Inland Marine and Miscellaneous Equipment:</i>	
Building and Contents-replacement cost (no deductible)	\$19,447,273
<i>Crime Cover:</i>	
Employee Dishonesty	\$100,000
Forgery	\$100,000
Computer Fraud	\$100,000
Theft, Disappearance, and Destruction	\$100,000
<i>General Liability:</i>	
Each Occurance	12,000,000
Aggregated Limit	14,000,000
<i>Automobile Liability:</i>	
Owed/Leased Vehicles	12,000,000
Medical Payments - Occurance	5,000
Medical Payments - Aggregate	25,000
Uninsured Motorist	1,000,000
Physical Damage	100,000
<i>School Boards Error and Omissions:</i>	
Each Occurance	12,000,000

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

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

B. Worker's Compensation

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

C. Employee Medical Benefits

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

All employees were covered for medical/surgical, prescription drug, and dental coverage through the OME-RESA self-insured plan. The Board pays 95 percent of premiums for all certified staff and 97 percent of the premiums for the classified staff for medical/surgical, prescription drug and dental coverage. The monthly cost of premiums is \$1,002.06 for single coverage and \$1,989.31 for family coverage on medical/surgical and prescription drug coverage. The total monthly cost of the premiums for dental coverage is \$48.82 for single and \$108.16 for family coverage.

The claims liability of \$71,125 reported in the internal service fund at June 30, 2010 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2009	\$134,223	\$491,241	\$536,099	\$89,365
2010	89,365	567,527	585,767	71,125

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 43215-3746.

Funding Policy - 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 2010, 12.74 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$57,839 \$42,840 and \$43,451

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

respectively; 94.27 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

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

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

Funding Policy - For the fiscal year ended June 30, 2010, 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 2009, 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 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$301,356, \$296,386 and \$290,237 respectively; 81.71 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$201 made by the School District and \$143 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Retirement System. As of June 30, 2010, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.5 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$2,270, \$19,605 and \$19,828 respectively; 94.27 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$3,450 \$3,535 and \$3,131 respectively; 94.27 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$22,342, \$22,678 and \$22,097 respectively; 81.71 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 236 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

B. Other Insurance Benefits

The Board pays 100 percent of the premiums for life and vision coverage. Life insurance is provided through MetLife. Coverage is in the amount of \$30,000 for all certified teachers and classified employees at a total monthly premium of \$4.35 and coverage of \$50,000 for administrators at a total monthly premium of \$7.25. The School District provides vision insurance through Vision Service Plan at a cost of \$9.46 for single coverage and \$21.16 for family coverage per month.

NOTE 15 – FUND OBLIGATION

The School District issued a \$200,000 tax anticipation note with a 3.25 percent interest rate on January 15, 2010. The note was issued in anticipation of tax receipts and was backed by the full faith and credit of the School District. The note was repaid May 11, 2010 from General Fund tax receipts.

NOTE 16 - CONSTRUCTION COMMITMENT

The School District awarded a contract to Johnson Controls, Inc. for general energy conservation measures. The contract award was \$1,057,540, and as of June 30, 2010 payments in the amount of \$545,458 had been made by the School District.

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 17 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Outstanding 6/30/09	Additions	Deductions	Outstanding 6/30/10	Amounts Due Within One Year
<i>2010 Energy Conservation Qualified School Construction Bonds:</i>					
Serial Bonds, \$1,078,690 @ 2.170%	\$0	\$1,078,690	\$0	\$1,078,690	\$72,534
Compensated Absences	317,853	54,730	34,642	337,941	11,888
Total Long-Term Obligations	<u>\$317,853</u>	<u>\$1,133,420</u>	<u>\$34,642</u>	<u>\$1,416,631</u>	<u>\$84,422</u>

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

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

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

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$72,534	\$22,491	\$95,025
2012	62,274	21,158	83,432
2013	63,626	19,792	83,418
2014	65,007	18,396	83,403
2015	66,417	16,970	83,387
2016-2020	354,340	62,357	416,697
2021-2024	394,492	21,767	416,259
Total	<u>\$1,078,690</u>	<u>\$182,931</u>	<u>\$1,261,621</u>

Compensated absences will be paid from the General Fund.

The School District's voted legal debt margin was \$102,543,956 with an unvoted debt margin of \$1,151,363, at June 30, 2010.

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 18- JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) - The Ohio Mid-Eastern Regional Education Service Agency was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, internet access, and cooperative purchasing services to member districts. The School District did not participate in the natural gas sales service program. This program allows schools to purchase natural gas at reduced rates. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made. During fiscal year 2010, the total amount paid to OME-RESA from the School District was \$19,742. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952. Effective July 1, 2010, the information technology portion of the OME-RESA consortium was dissolved. See Subsequent Event Note 22 for further details.

B. Coalition of Rural and Appalachian Schools (CORAS)

The Coalition of Rural and Appalachian Schools (CORAS) – The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$325 for fiscal year 2010.

C. Educational Regional Service System Region 12 (ERSS)

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

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 N. Seventh Street, Zanesville, Ohio, 43701.

NOTE 19– PUBLIC ENTITY POOLS

A. Insurance Purchasing Pool

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

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

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

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

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2009	\$0	\$0	\$17,604
Current Year Set-aside Requirement	60,504	60,504	0
Current Year Offsets	0	(123,525)	0
Qualifying Disbursements	<u>(105,331)</u>	<u>0</u>	<u>0</u>
Totals	<u>(\$44,827)</u>	<u>(\$63,021)</u>	<u>\$17,604</u>
Allowable Carry Forward at June 30, 2009	(629,461)	(175,881)	0
Current Year Qualifying Expenditures from Bond Proceeds	N/A	(545,458)	N/A
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$674,288)</u>	<u>(\$721,339)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2010	<u>\$0</u>	<u>\$0</u>	<u>\$17,604</u>

The School District had qualifying disbursements during the current and previous fiscal years that reduced the textbook set-aside amount below zero. These extra amounts may be used to reduce the set-aside requirement of future years. Although the School District had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. The School District also had current and prior year capital expenditures from note and bond proceeds in connection with capital projects that may be carried forward to offset future set-aside requirements. The total reserve balance for the three set-asides at the end of the fiscal year was \$17,604.

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 21- CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

NOTE 22 - SUBSEQUENT EVENTS

A. Council of Governments

Effective July 1, 2010, the information technology portion of the OME-RESA consortium has been dissolved. On July 1, 2010, the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Council of Governments (OME-RESA Council) was established pursuant to Ohio Revised Code Section 167.01. The Board of Education of Jefferson County Joint Vocational School District has passed a resolution approving membership in the OME-RESA Council and is currently receiving information technology services through the Council.

B. School Levy

The Board of Education passed a resolution on June 15, 2010 to place a 1 mill levy for general operating expenses on the November 2, 2010 ballot. The levy failed.



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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jefferson County Joint Vocational School District, Jefferson County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-01.

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

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 20, 2012.

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

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

A handwritten signature in black ink that reads "David Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

David Yost
Auditor of State

January 20, 2012

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

**SCHEDULE OF FINDINGS
JUNE 30, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2010-01

Noncompliance Citation

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

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

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

The District did not certify or record the amount against the applicable appropriation accounts for 33% of tested expenditures. The District did not properly utilize the certification exceptions described above for those expenditures lacking prior certification.

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

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

Official's Response:

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

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

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code Section 5705.41 (D), failure to properly certify expenditures	No	Re-issued as Finding 2010-01

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JEFFERSON COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 19, 2012**