

Lawrence County Joint Vocational School District
Lawrence County
Single Audit
For the Fiscal Year Ended June 30, 2014



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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lawrence County Joint Vocational School District, Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 20, 2015

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Lawrence County Joint Vocational School District
Lawrence County
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For the Fiscal Year Ended June 30, 2014

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, Ohio, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the General and Adult Education Funds thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



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

March 30, 2015

Lawrence County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The discussion and analysis of the Lawrence County Joint Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2014 are as follows:

- Net position of governmental activities increased \$395,407.
- General revenues accounted for \$6,928,915 or 46% of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$8,114,316 or 54% of total revenues of \$15,043,231.
- The School District had \$14,647,824 in expenses related to governmental activities; \$8,114,316 of these expenses was offset by program specific charges for services and sales, grants, contributions, and interest. General revenues of \$6,928,915 were adequate to provide for the rest of these programs.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, and deferred inflows and outflows of resources 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 position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Lawrence County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

In the statement of net position and the statement of activities, all of the School District's activities are reported as governmental activities, including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for multiple financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund; adult education special revenue fund; and the permanent improvement, locally funded initiative, and school facilities capital projects funds.

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

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

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

Table 1
Net Position

	2014	2013*
Assets		
Current and Other Assets	\$6,963,272	\$12,773,208
Capital Assets, Net	26,554,129	22,245,145
Total Assets	33,517,401	35,018,353
Liabilities		
Other Liabilities	1,612,724	2,776,097
Long-Term Liabilities	6,110,836	6,605,786
Total Liabilities	7,723,560	9,381,883
Deferred Inflows of Resources		
Property Taxes	1,849,024	2,087,060

Lawrence County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 1
Net Position

	2014	2013*
Net Position		
Net Investment in Capital Assets	\$20,686,359	\$15,952,375
Restricted	2,155,238	6,162,679
Unrestricted	1,103,220	1,434,356
Total Net Position	\$23,944,817	\$23,549,410

*As restated. See note 20 of the notes to the basic financial statements.

The change in the makeup of assets is a result of the School District's participation in the Ohio School Facilities Program. Current assets decreased due to decreases in cash and intergovernmental receivables due to the OSFC Program winding down by the end of 2014. Capital assets increased for the same reason. Current liabilities also decreased, due to contracts and retainage payable paid for the building program during the fiscal year.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014, and comparisons to fiscal year 2013.

Table 2
Change in Net Position

	2014	2013
Revenues		
Program Revenues		
Charges for Services and Sales	\$2,832,353	\$2,357,235
Operating Grants, Contributions and Interest	5,281,963	4,899,539
Total Program Revenues	8,114,316	7,256,774
General Revenues		
Property Taxes	2,519,190	1,954,080
Grants and Entitlements	4,180,247	6,404,440
Investment Earnings	26,146	31,620
Miscellaneous	203,332	267,652
Total General Revenues	6,928,915	8,657,792
Total Revenues	15,043,231	15,914,566
Expenses		
Instruction		
Regular	158,446	158,770
Vocational	6,225,714	5,485,267
Adult/Continuing	2,355,970	2,251,113
Support Services		
Pupils	515,550	370,416
Instructional Staff	111,280	107,523
Board of Education	119,638	64,512
Administration	962,742	948,196
Fiscal	728,892	782,211
Operation and Maintenance of Plant	1,136,020	1,099,362
Central	227,363	245,276
Operation of Non-Instructional Services	1,621,939	1,582,501
Extracurricular Activities	44,575	38,541
Interest and Fiscal Charges	439,695	539,728
Total Expenses	14,647,824	13,673,416

Lawrence County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 2
Change in Net Position

	2014	2013
Change in Net Position	\$395,407	\$2,241,150
Net Position Beginning of Year	23,549,410	21,308,260
Net Position End of Year	\$23,944,817	\$23,549,410

The statement of activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. The increase in program revenues is the result of increases in tuition and fees related to the adult education program, which resulted from increased enrollment, and increased operating grants due to reallocations of state funding due to changes in funding calculations. The decrease in general revenues is the result of decreases in grants and entitlements due to the reallocation of state funding in addition to lesser OSFC project funds received in 2014 as compared to the prior year. These decreases were partially offset by an increase in property taxes as the permanent improvement levy had a full year of collections in 2014. The increases in expenses are due to increases in costs indirectly related to the building project in addition to increased activity for the adult education program.

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

Table 3

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Expenses				
Instruction				
Regular	\$158,446	\$50,265	\$158,770	\$20,195
Vocational	6,225,714	3,800,096	5,485,267	3,218,124
Adult/Continuing	2,355,970	(258,376)	2,251,113	(330,657)
Support Services				
Pupils	515,550	159,499	370,416	133,896
Instructional Staff	111,280	36,595	107,523	37,821
Board of Education	119,638	119,435	64,512	64,512
Administration	962,742	659,649	948,196	848,224
Fiscal	728,892	506,685	782,211	582,056
Operation and Maintenance of Plant	1,136,020	1,059,823	1,099,362	1,086,455
Central	227,363	(2,305)	245,276	195,162
Operation of Non-Instructional Services	1,621,939	(82,051)	1,582,501	8,977
Extracurricular Activities	44,575	44,498	38,541	12,149
Interest and Fiscal Charges	439,695	439,695	539,728	539,728
Total Expenses	\$14,647,824	\$6,533,508	\$13,673,416	\$6,416,642

61 percent of vocational instruction activities are supported through taxes and other general revenues. On the other hand, adult/continuing instruction activities generated \$258,376.

The School District Funds

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,656,856 and expenditures of \$19,508,490.

Lawrence County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

General Fund – The general fund is the primary operating fund of the School District. At the end of 2014, unassigned fund balance was \$1,389,538, while total fund balance was \$1,482,343. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 18 percent of total general fund expenditures, while total fund balance represents 19 percent of general fund expenditures. The fund balance of the School District's general fund decreased \$641,192 during the current fiscal year. This decrease is due to operating transfers to the locally funded initiative fund and various other governmental funds to subsidize operations. In addition, general fund revenues and expenditures increased, although expenditures increased at a higher rate than revenues, which was further cause for the decrease in fund balance.

Adult Education Fund – The fund balance of the adult education fund at June 30, 2014, is \$321,475, an increase of \$416,055 from the prior year. This was due to cost cutting measures in the adult education program in addition to increases in enrollment in some of those programs.

Permanent Improvement Fund – The fund balance of the permanent improvement fund at June 30, 2014, is \$344,427, a decrease of \$779,461. This decrease is due mainly to the fund supporting construction efforts associated with the School District's OSFC building project.

Locally Funded Initiative Fund – The fund balance of the locally funded initiative fund at June 30, 2014, is \$1,286,126, an increase of \$892,089. This increase is due mainly to transfers in from the permanent improvement fund to fund the local portion obligation of the OSFC project in accordance with the OSFC agreement.

School Facilities Fund – The school facilities fund was established during fiscal year 2010 with funds from the issuance of certificates of participation in the amount of \$5,747,770. The proceeds from the sale of the certificates have been used to fund the School District's share under the Ohio School Facilities Program. Construction has been substantially completed. At year end, all fund balance had been spent or committed for obligations.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District amended its appropriations for expenditures by \$1,124,836 due to extremely conservative budgeting at the beginning of the year. Estimated resources were only amended by \$62,679.

The School District's ending unobligated general fund balance was \$1,819,372.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$26,554,129 invested in land, buildings, improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2014 balances compared to 2013.

Lawrence County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 4
 Capital Assets
 (Net of Depreciation)

	2014	2013*
Land	\$174,360	\$174,360
Land Improvements	33,896	39,399
Buildings and Improvements	26,171,221	1,327,220
Furniture and Equipment	168,927	353,194
Vehicles	5,725	14,041
Construction in Progress	0	20,336,931
Totals	\$26,554,129	\$22,245,145

*As restated. Errors in previously reported construction in progress were corrected in the table above.

See note 9 for more information on capital assets.

Debt

At June 30, 2014, the School District had the following debt outstanding:

Table 5
 Outstanding Debt at Fiscal Year End

	2014	2013
Certificates of Participation	\$5,867,770	\$6,292,770

See note 14 for more information on debt.

Economic Factors

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

Contacting the School District's Financial Management

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

Lawrence County Joint Vocational School District
Statement of Net Position
As of June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,857,218
Cash and Cash Equivalents in Segregated Accounts	636,376
Materials and Supplies Inventory	2,818
Intergovernmental Receivable	186,310
Property Taxes Receivable	2,280,550
Nondepreciable Capital Assets	174,360
Depreciable Capital Assets, net	26,379,769
<i>Total Assets</i>	33,517,401
Liabilities:	
Accounts Payable	143,048
Accrued Wages and Benefits Payable	516,063
Intergovernmental Payable	119,000
Accrued Interest Payable	32,437
Accrued Vacation Leave Payable	143,018
Matured Compensated Absences Payable	22,782
Retainage Payable	636,376
Long-Term Liabilities:	
Due Within One Year	537,584
Due in More Than One Year	5,573,252
<i>Total Liabilities</i>	7,723,560
Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year Operations	1,849,024
Net Position:	
Net Investment in Capital Assets	20,686,359
Restricted for Capital Outlay	1,685,102
Restricted for Other Purposes	440,506
Restricted for Set-Asides	29,630
Unrestricted	1,103,220
<i>Total Net Position</i>	\$23,944,817

The notes to the basic financial statements are an integral part of this statement

Lawrence County Joint Vocational School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$158,446	\$0	\$108,181	(\$50,265)
Vocational	6,225,714	20,531	2,405,087	(3,800,096)
Adulting/Continuing	2,355,970	2,021,396	592,950	258,376
Support Services:				
Pupils	515,550	73	355,978	(159,499)
Instructional Staff	111,280	55	74,630	(36,595)
Board of Education	119,638	203	0	(119,435)
Administration	962,742	230,140	72,953	(659,649)
Fiscal	728,892	218,918	3,289	(506,685)
Operation and Maintenance of Plant	1,136,020	59,752	16,445	(1,059,823)
Central	227,363	179,293	50,375	2,305
Operation of Non-Instructional Services	1,621,939	101,915	1,602,075	82,051
Extracurricular Activities	44,575	77	0	(44,498)
Interest and Fiscal Charges	439,695	0	0	(439,695)
<i>Total Governmental Activities</i>	<u>\$14,647,824</u>	<u>\$2,832,353</u>	<u>\$5,281,963</u>	<u>(6,533,508)</u>

General Revenues:

Property Taxes Levied for:	
General Purposes	1,794,284
Capital Outlay	724,906
Grants and Entitlements not Restricted for	
Specific Programs	4,180,247
Investment Earnings	26,146
Miscellaneous	203,332
<i>Total General Revenues</i>	<u>6,928,915</u>
<i>Change in Net Position</i>	395,407
<i>Net Position Beginning of Year</i>	<u>23,549,410</u>
<i>Net Position End of Year</i>	<u>\$23,944,817</u>

The notes to the basic financial statements are an integral part of this statement

Lawrence County Joint Vocational School District
Balance Sheet
Governmental Funds
As of June 30, 2014

	General Fund	Adult Education Fund	Permanent Improvement Fund	Locally Funded Initiative	School Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets:							
Equity in Pooled Cash and Cash Equivalents	\$1,717,428	\$433,347	\$314,627	\$1,286,126	\$0	\$76,060	\$3,827,588
Materials and Supplies Inventory	0	0	0	0	0	2,818	2,818
Interfund Receivable	255,268	0	0	0	0	0	255,268
Intergovernmental Receivable	0	0	0	0	0	186,310	186,310
Property Taxes Receivable	1,824,001	0	456,549	0	0	0	2,280,550
Restricted Assets:							
Equity in Pooled Cash and Cash Equivalents	29,630	0	0	0	0	0	29,630
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	636,376	0	636,376
<i>Total Assets</i>	<u>\$3,826,327</u>	<u>\$433,347</u>	<u>\$771,176</u>	<u>\$1,286,126</u>	<u>\$636,376</u>	<u>\$265,188</u>	<u>\$7,218,540</u>
Liabilities:							
Accounts Payable	\$116,889	\$26,159	\$0	\$0	\$0	\$0	\$143,048
Accrued Wages and Benefits Payable	424,658	57,987	0	0	0	33,418	516,063
Interfund Payable	0	0	0	0	0	255,268	255,268
Intergovernmental Payable	78,830	27,726	0	0	0	12,444	119,000
Matured Compensated Absences Payable	22,782	0	0	0	0	0	22,782
Retainage Payable	0	0	0	0	636,376	0	636,376
<i>Total Liabilities</i>	643,159	111,872	0	0	636,376	301,130	1,692,537
Deferred Inflows of Resources:							
Property Taxes not Levied to Finance Current Year Operations	1,476,824	0	372,200	0	0	0	1,849,024
Unavailable Revenue	224,001	0	54,549	0	0	144,465	423,015
<i>Total Deferred Inflows of Resources</i>	1,700,825	0	426,749	0	0	144,465	2,272,039
Fund Balances:							
Nonspendable	329	0	0	0	0	0	329
Restricted	29,630	321,475	344,427	1,286,126	0	103,194	2,084,852
Committed	49,462	0	0	0	0	0	49,462
Assigned	13,384	0	0	0	0	0	13,384
Unassigned (Deficit)	1,389,538	0	0	0	0	(283,601)	1,105,937
<i>Total Fund Balances</i>	<u>1,482,343</u>	<u>321,475</u>	<u>344,427</u>	<u>1,286,126</u>	<u>0</u>	<u>(180,407)</u>	<u>3,253,964</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$3,826,327</u>	<u>\$433,347</u>	<u>\$771,176</u>	<u>\$1,286,126</u>	<u>\$636,376</u>	<u>\$265,188</u>	<u>\$7,218,540</u>

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

Lawrence County Joint Vocational School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 As of June 30, 2014*

Total Governmental Fund Balances \$3,253,964

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 26,554,129

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Delinquent Property Taxes	278,550	
Grants	144,465	
Total	423,015	423,015

Accrued vacation leave payable is recognized for earned vacation benefits that are to be used within one year but are not recognized on the balance sheet until due. (143,018)

Interest payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet. (32,437)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Certificates of Participation	(5,867,770)	
Sick Leave Benefits Payable	(243,066)	
Total	(6,110,836)	(6,110,836)

Net Position of Governmental Activities \$23,944,817

The notes to the basic financial statements are an integral part of this statement

Lawrence County Joint Vocational School District
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2014

	General Fund	Adult Education Fund	Permanent Improvement Fund	Locally Funded Initiative	School Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Property Taxes	\$1,797,016	\$0	\$726,091	\$0	\$0	\$0	\$2,523,107
Intergovernmental	5,555,540	703,319	391,061	0	2,093,051	2,328,948	11,071,919
Interest	1,531	0	24,615	0	0	0	26,146
Tuition and Fees	11,928	2,501,815	0	0	0	0	2,513,743
Customer Sales and Services	215,322	1,372	0	0	0	101,915	318,609
Miscellaneous	137,159	46,197	0	0	0	19,976	203,332
<i>Total Revenues</i>	<i>7,718,496</i>	<i>3,252,703</i>	<i>1,141,767</i>	<i>0</i>	<i>2,093,051</i>	<i>2,450,839</i>	<i>16,656,856</i>
Expenditures:							
Current:							
Instruction:							
Regular	40,000	0	0	0	0	113,593	153,593
Vocational	5,364,947	3,518	23,323	0	0	461,284	5,853,072
Adult/Continuing	0	2,281,327	0	0	0	14,585	2,295,912
Support Services:							
Pupils	82,601	0	0	0	0	422,986	505,587
Instructional Staff	31,774	0	0	0	0	78,364	110,138
Board of Education	117,607	0	0	0	0	0	117,607
Administration	713,662	258,616	16,048	0	0	8,998	997,324
Fiscal	683,506	13,210	14,240	0	0	329	711,285
Operation and Maintenance of Plant	724,641	66,057	0	0	342,681	1,315	1,134,694
Central	35,133	202,344	0	0	0	0	237,477
Operation of Non-Instructional Services	0	0	0	0	0	1,608,725	1,608,725
Extracurricular Activities	44,575	0	0	0	0	0	44,575
Capital Outlay	0	13,722	0	474,990	4,382,172	0	4,870,884
Debt Service:							
Principal	0	0	425,000	0	0	0	425,000
Interest	0	0	442,617	0	0	0	442,617
<i>Total Expenditures</i>	<i>7,838,446</i>	<i>2,838,794</i>	<i>921,228</i>	<i>474,990</i>	<i>4,724,853</i>	<i>2,710,179</i>	<i>19,508,490</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(119,950)</i>	<i>413,909</i>	<i>220,539</i>	<i>(474,990)</i>	<i>(2,631,802)</i>	<i>(259,340)</i>	<i>(2,851,634)</i>
Other Financing Sources:							
Transfers In	0	2,146	0	1,367,079	0	152,017	1,521,242
Transfers Out	(521,242)	0	(1,000,000)	0	0	0	(1,521,242)
<i>Total Other Financing Sources</i>	<i>(521,242)</i>	<i>2,146</i>	<i>(1,000,000)</i>	<i>1,367,079</i>	<i>0</i>	<i>152,017</i>	<i>0</i>
<i>Net Change in Fund Balances</i>	<i>(641,192)</i>	<i>416,055</i>	<i>(779,461)</i>	<i>892,089</i>	<i>(2,631,802)</i>	<i>(107,323)</i>	<i>(2,851,634)</i>
<i>Fund Balance (Deficit) at Beginning of Year- Restated</i>	<i>2,123,535</i>	<i>(94,580)</i>	<i>1,123,888</i>	<i>394,037</i>	<i>2,631,802</i>	<i>(73,084)</i>	<i>6,105,598</i>
<i>Fund Balance (Deficit) at End of Year</i>	<i>\$1,482,343</i>	<i>\$321,475</i>	<i>\$344,427</i>	<i>\$1,286,126</i>	<i>\$0</i>	<i>(\$180,407)</i>	<i>\$3,253,964</i>

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

Lawrence County Joint Vocational School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds (\$2,851,634)

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

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

Capital Asset Additions	4,870,884	
Current Year Depreciation	(561,900)	
Total	4,308,984	4,308,984

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

Delinquent Property Taxes	(3,917)	
Grants	(1,609,708)	
Total	(1,613,625)	(1,613,625)

Repayments of bonds are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position and do not result in an expense in the statement of activities. 425,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt in the statement of activities. 2,922

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.

Accrued Vacation Leave Payable	53,810	
Sick Leave Benefits Payable	69,950	
Total	123,760	123,760

Net Change in Net Position of Governmental Activities \$395,407

The notes to the basic financial statements are an integral part of this statement

Lawrence County Joint Vocational School District
Statement of Revenues, Expenditures and Change
in Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$1,725,810	\$1,725,810	\$1,773,149	\$47,339
Intergovernmental	5,498,697	5,436,018	5,555,540	119,522
Tuition and Fees	9,000	9,000	11,928	2,928
Miscellaneous	125,000	125,000	128,291	3,291
<i>Total Revenues</i>	<u>7,358,507</u>	<u>7,295,828</u>	<u>7,468,908</u>	<u>173,080</u>
Expenditures:				
Current:				
Instruction:				
Vocational	4,651,076	5,433,396	5,433,396	0
Support Services:				
Pupils	68,520	80,589	80,589	0
Instructional Staff	27,000	32,702	32,702	0
Board of Education	83,232	114,915	114,915	0
Administration	740,437	704,887	704,887	0
Fiscal	310,909	350,800	350,800	0
Operation and Maintenance of Plant	443,340	719,984	719,984	0
Central	25,000	34,870	34,870	0
Extracurricular Activities	0	2,207	2,207	0
<i>Total Expenditures</i>	<u>6,349,514</u>	<u>7,474,350</u>	<u>7,474,350</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,008,993</u>	<u>(178,522)</u>	<u>(5,442)</u>	<u>173,080</u>
Other Financing Sources (Uses):				
Transfers In	0	0	544,599	544,599
Transfers Out	0	(1,159,677)	(1,159,679)	(2)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(1,159,677)</u>	<u>(615,080)</u>	<u>544,597</u>
<i>Net Change in Fund Balance</i>	<u>1,008,993</u>	<u>(1,338,199)</u>	<u>(620,522)</u>	<u>717,677</u>
<i>Fund Balance at Beginning of Year-Restated</i>	<u>2,395,702</u>	<u>2,395,702</u>	<u>2,395,702</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>44,192</u>	<u>44,192</u>	<u>44,192</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$3,448,887</u>	<u>\$1,101,695</u>	<u>\$1,819,372</u>	<u>\$717,677</u>

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

Lawrence County Joint Vocational School District
Statement of Revenues, Expenditures and Change
in Fund Balance - Budget and Actual (Budgetary Basis)
Adult Education Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$688,684	\$688,684	\$703,319	\$14,635
Tuition and Fees	2,550,309	2,550,309	2,502,675	(47,634)
Customer Sales and Services	0	0	1,372	1,372
Miscellaneous	46,800	46,800	46,197	(603)
<i>Total Revenues</i>	3,285,793	3,285,793	3,253,563	(32,230)
Expenditures:				
Current:				
Instruction:				
Vocational	0	3,518	3,518	0
Adult/Continuing	2,072,109	2,292,615	2,292,615	0
Support Services:				
Administration	209,277	256,740	256,740	0
Fiscal	0	9,195	9,195	0
Operation and Maintenance of Plant	23,270	65,081	65,081	0
Central	207,337	206,572	206,572	0
<i>Total Expenditures</i>	2,511,993	2,833,721	2,833,721	0
<i>Excess of Revenues Over Expenditures</i>	773,800	452,072	419,842	(32,230)
Other Financing Sources:				
Transfers In	0	0	2,146	2,146
<i>Total Other Financing Sources</i>	0	0	2,146	2,146
<i>Net Change in Fund Balance</i>	773,800	452,072	421,988	(30,084)
<i>Fund Balance (Deficit) at Beginning of Year</i>	(8,516)	(8,516)	(8,516)	0
<i>Prior Year Encumbrances Appropriated</i>	20,735	20,735	20,735	0
<i>Fund Balance at End of Year</i>	\$786,019	\$464,291	\$434,207	(\$30,084)

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

Lawrence County Joint Vocational School District
Statement of Assets and Liabilities
Agency Funds
As of June 30, 2014

Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$33,541</u>
<i>Total Assets</i>	<u><u>\$33,541</u></u>
Liabilities:	
Undistributed Monies	<u>\$33,541</u>
<i>Total Liabilities</i>	<u><u>\$33,541</u></u>

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

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 1 - Description of the School District and Reporting Entity

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

The School District is staffed by 27 classified employees, 154 certificated full-time teaching personnel, and 16 administrative employees who provide services to 460 students and other community members. The School District currently operates one instructional building.

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

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

The School District participates in four organizations, two of which are defined as jointly governed organizations and two as insurance purchasing pools. The jointly governed organizations are the South Central Ohio Computer Association and the Coalition of Rural and Appalachian Schools. The insurance purchasing pools are the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Lawrence County Schools Council of Governments Health Benefits Program. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the stand-alone

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

government, except for the fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

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

B. Fund Accounting

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

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

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

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

Permanent Improvement Fund The permanent improvement capital projects fund is used to account for all transactions related to the acquiring, constructing, or improving of permanent improvements as authorized by Chapter 5705, Revised Code.

Locally Funded Initiative Fund The locally funded initiative capital projects fund accounts for transactions related to the locally funded portion of the constructing, improving, and equipping School District buildings involved in the Ohio School Facilities Commission project.

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

School Facilities Fund The school facilities capital projects fund accounts for transactions related to constructing, improving, and equipping School District buildings with the assistance of the Ohio School Facilities Commission.

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, 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 sixty days of fiscal year end.

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

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2014, the School District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. The School District Board of Education has allocated interest earned on interim funds to the general fund and permanent improvement fund. Interest revenue credited to the general fund and permanent improvement fund during fiscal year 2014 amounted to \$1,531 and \$24,615, respectively.

The School District has segregated bank accounts for retainage held for its construction project. These accounts are presented as "restricted cash and cash equivalents in segregated accounts" since the cash is not deposited into the School District treasury.

F. Inventory

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

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

G. Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	30-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets include amounts required by statute to be set-aside by the School District for capital improvements. See note 18 for additional information regarding set-asides. Restricted assets also include cash held for retainage for contractors.

I. Compensated Absences

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

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

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

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the retirement benefits fund, which is mapped into the general fund for financial reporting purposes in accordance with generally accepted accounting principles.

J. Accrued Liabilities and Long-term Obligations

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

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

K. Interfund Activity

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

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

L. Interfund Balances

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

M. Fund Balance

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

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

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

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

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

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

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

N. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows and outflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include music and athletic programs and local, federal, and state grants restricted to expenditure for specified purposes.

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The School District did not report either type of transaction for the year ended June 30, 2014.

P. Estimates

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

Q. Budgetary Process

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

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

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

Note 3 - Fund Balances

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

Fund Balances	General	Adult Education	Permanent Improvement	Locally Funded Initiative	School Facilities	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>							
Unclaimed Monies	\$329	\$0	\$0	\$0	\$0	\$0	\$329
<i>Restricted</i>							
Adult Education	0	321,475	0	0	0	0	321,475
Vocational Education	0	0	0	0	0	43,089	43,089
Entry Year	0	0	0	0	0	1,754	1,754
District Managed Activities	0	0	0	0	0	512	512
Career Development	0	0	0	0	0	21,686	21,686
Remedial Reading	0	0	0	0	0	12,944	12,944
State Grants	0	0	0	0	0	21,407	21,407
Federal Grants	0	0	0	0	0	1,802	1,802
Capital Improvements	29,630	0	344,427	1,286,126	0	0	1,660,183
Total	29,630	321,475	344,427	1,286,126	0	103,194	2,084,852

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Fund Balances	General	Adult Education	Permanent Improvement	Locally Funded Initiative	School Facilities	Other Governmental Funds	Total Governmental Funds
<i>Committed</i>							
Employee Health Benefits	\$49,462	\$0	\$0	\$0	\$0	\$0	\$49,462
<i>Assigned</i>							
Student Activities	13,384	0	0	0	0	0	13,384
<i>Unassigned</i>							
	1,389,538	0	0	0	0	(283,601)	1,105,937
Total	\$1,482,343	\$321,475	\$344,427	\$1,286,126	\$0	(\$180,407)	\$3,253,964

Note 4 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2014:

<i>Other Governmental Funds</i>	
Food Service	\$16,271
Classroom Facilities Maintenance	1,644
Vocational	162,758
Pell Grant	1,969
Miscellaneous Federal Grants	17,857
Bond Retirement	83,102
Total	\$283,601

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

Note 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 statements of revenues, expenditures and changes in fund balances - budget and actual (budgetary basis) presented for the general fund and adult education special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Perspective differences.

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the major special revenue fund.

	<u>Net Change in Fund Balance</u>	
	<u>General</u>	<u>Adult Education</u>
GAAP Basis	(\$641,192)	\$416,055
Revenue Accruals	519,135	860
Expenditure Accruals	(599,399)	5,073
Perspective Differences	100,934	0
Budget Basis	<u>(\$620,522)</u>	<u>\$421,988</u>

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligations or securities issued by the United States Treasury, or any other obligations guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the state of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the entire amount of the School District's bank balance of \$4,657,619 was either covered by the federal deposit insurance corporation or collateralized with pooled securities held by the pledging financial institution in the manner described below.

The School District has no deposit policy for custodial credit risk beyond the requirements of state statute. Ohio law requires that deposits be either insured or 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.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by state statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2014 was \$123,176 in the general fund and \$29,800 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2013 was \$99,309 in the general fund and \$25,247 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$697,508,640	79%	\$726,102,660	79%
Public Utility Personal	99,875,670	12%	100,499,370	11%
General Business Personal	84,356,800	9%	88,036,560	10%
Total	\$881,741,110	100%	\$914,638,590	100%

Tax Rate per \$1,000 as Assessed Valuation	\$2.90	\$2.90
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Note 8 - Receivables

Receivables at June 30, 2014, consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. All receivables, except for property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of principal items of intergovernmental receivables follows:

<i>Other Governmental Funds</i>	
Vocational	\$142,341
Improving Teacher Quality	2,124
ABLE	23,095
Agricultural Grant	18,750
Total	\$186,310

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/13*	Additions	Deletions	Balance 6/30/14
Capital Assets:				
Capital Assets Not Being Depreciated				
Land	\$174,360	\$0	\$0	\$174,360
Construction in Progress	20,336,931	4,857,162	(25,194,093)	0
Total Capital Assets Not Being Depreciated	20,511,291	4,857,162	(25,194,093)	174,360
Depreciable Capital Assets:				
Land Improvements	663,436	0	0	663,436
Buildings and Improvements	6,493,412	25,194,093	0	31,687,505
Furniture and Equipment	2,442,496	13,722	0	2,456,218
Vehicles	235,913	0	0	235,913
Total Capital Assets Being Depreciated	9,835,257	25,207,815	0	35,043,072
Accumulated Depreciation:				
Land Improvements	(624,037)	(5,503)	0	(629,540)
Buildings and Improvements	(5,166,192)	(350,092)	0	(5,516,284)
Furniture and Equipment	(2,089,302)	(197,989)	0	(2,287,291)
Vehicles	(221,872)	(8,316)	0	(230,188)
Total Accumulated Depreciation	(8,101,403)	(561,900)	0	(8,663,303)
Total Capital Assets Being Depreciated, Net	1,733,854	24,645,915	0	26,379,769
Total Capital Assets, Net	\$22,245,145	\$29,503,077	(\$25,194,093)	\$26,554,129

*As restated. See note 20.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,794
Vocational	505,991
Adult/Continuing	30,173
Support Services:	
Board of Education	2,031
Administration	7,961
Fiscal	1,380
Operation and Maintenance of Plant	4,476
Central	4,491
Operation of Non-Instructional Services	2,603
Total Depreciation Expense	<u>\$561,900</u>

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracted with Trident Risk Control Services for automobile and property coverage and commercial umbrella liability coverage for fiscal year 2014.

The types and amounts of coverage are as follows:

General Liability:	
Each Occurrence	\$1,000,000
Damage to Rented Premises	100,000
Aggregate Limit	3,000,000
Products-Completed Operations Aggregate Limit	3,000,000
Personal Injury	1,000,000
Excess Liability:	
Each Occurrence	7,000,000
Aggregate Limit	7,000,000
Employer's Liability:	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Building and Business Personal Property Coverage (\$25,000 deductible)	50,000,000
Automobile Liability (\$50,000 deductible)	1,000,000

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. Coverage was reviewed during 2014 and updated where necessary from the prior year.

B. Worker's Compensation

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control, and actuarial services to the GRP.

Note 11 - Employee Benefits

A. Compensated Absences

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

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

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

B. Life Insurance and Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all classified and full-time administrative employees through The Guardian in the amount of \$40,000.

Health insurance is provided by Anthem Blue Cross/Blue Shield. Premiums for this coverage are \$1,605.17 for family coverage and \$649.86 for single coverage per month. The School District pays 81.9% of the family coverage premium and 95% of the single coverage premium for full-time administrators, adult education teachers, and non-certified staff.

Vision insurance is provided by The Guardian. Premiums for this coverage are \$8.23 single and \$17.70 family coverage per month. The School District pays 100% of the premium for single plans and 46.5% of the premium for family plans.

Dental insurance is provided by The Guardian. Premiums for this coverage are \$20.08 single and \$69.59 family coverage per month. The School District pays 100% of the premium for single plans and 29% of the premium for family plans.

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS’ website at www.ohsers.org under employers/audit resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For the fiscal year ended June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B funds. The School District’s contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$127,429, \$85,077, and \$113,566, respectively, which equaled the required contributions each year.

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

B. State Teachers Retirement System

The State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 9.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 9.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – For members who select the Combined Plan, 10 percent of the 11 percent member contribution rate is deposited into the member’s defined contribution account and the remaining amount is applied to the DB Plan. Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1 percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years or service credit. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014 were 11 percent of covered payroll for members and 14 percent for employers. The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$767,249, \$751,096, and \$790,989, respectively; 91 percent of required contributions have been made for fiscal year 2014 and 100 percent of required contributions have been made for fiscal years 2013 and 2012.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

Note 13 - Postemployment Benefits

A. School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2014, 2013 and 2012, the actuarially required allocations were 0.76 percent, 0.74 percent, and 0.75 percent. The School District's contributions for the years ended June 30, 2014, 2013 and 2012, were \$7,393, \$4,806, and \$6,707, which equaled the required contributions each year.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the years ended June 30, 2014, 2013 and 2012, the health care allocations were 0.14 percent, 0.16 percent, and 0.55 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ending June 30, 2014, 2013, and 2012 were \$14,843, \$14,452, and \$18,355, respectively, which equaled the required contributions each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under employers/audit resources.

B. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan; and a Combined Plan that is a hybrid of the Defined Benefit Plan and Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$59,019, \$53,330, and \$56,841, for fiscal years 2014, 2013 and 2012, respectively; 91 percent of required contributions have been made for fiscal year 2014 and 100 percent of required contributions have been made for fiscal years 2013 and 2012.

Note 14 - Long-Term Obligations

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

	Principal Outstanding 6/30/13	Additions	Reductions	Principal Outstanding 6/30/14	Amount Due Within One Year
<i>Governmental Activities</i>					
OSCB COPs 2010 Series A-4.90%	\$545,000	\$0	(\$425,000)	\$120,000	\$120,000
OSCB COPs 2010 Series B-7.02%	5,747,770	0	0	5,747,770	327,770
Total COPs	6,292,770	0	(425,000)	5,867,770	447,770
Sick Leave Benefits	313,016	142,401	(212,351)	243,066	89,814
Total Long-Term Liabilities	\$6,605,786	\$142,401	(\$637,351)	\$6,110,836	\$537,584

Sick leave benefits will be paid from the retirement benefits fund, which is mapped into the general fund for financial reporting purposes in accordance with generally accepted accounting principles.

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

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

Series B – \$5,747,770 COPs issued for use in upgrading existing facilities, as the local portion of the Ohio School Facilities Vocational Facilities Assistance Program. This portion of the debt included issuance costs of \$106,553, which was expensed upon issuance. The Series B COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to PS&W Holding Company, Inc., and then subleased back to the School District. The COPs were issued through a series of annual leases with an initial lease term of one month which includes the right

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

to renew for sixteen successive one-year terms through June 30, 2026, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments for a period of sixteen years, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 7.02 percent. As part of the ARRA Act of 2009, issuers of QSCBs are eligible to receive direct payments from the federal government which offset interest payments on the bonds. As an alternate, QSCBs may be issued as tax credit bonds under which bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer's interest cost. The School District, under agreement with the federal government, has chosen to receive a thirty-five percent semi-annual direct payment from the federal government to help offset interest expense on the Series B QSCB COPs.

The School District has the option to purchase the project facilities on any lease payment date by paying the amount necessary to defease the indenture.

Annual base rent requirements to retire certificates of participation outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30	Series A Principal	Series A Interest	Series B Principal	Series B Interest	Series B ARRA Subsidy	Total
2015	\$120,000	\$2,940	\$327,770	\$391,989	(\$308,230)	\$534,469
2016	0	0	455,000	364,514	(286,626)	532,888
2017	0	0	465,000	332,221	(261,234)	535,987
2018	0	0	470,000	299,403	(235,428)	533,975
2019	0	0	480,000	266,058	(209,208)	536,850
2020-2024	0	0	2,495,000	813,443	(639,630)	2,668,813
2025-2026	0	0	1,055,000	74,236	(58,374)	1,070,862
Total	\$120,000	\$2,940	\$5,747,770	\$2,541,864	(\$1,998,730)	\$6,413,844

The overall debt margin of the School District as of June 30, 2014 was \$82,317,473, with an unvoted debt margin of \$914,639.

Note 15 - Interfund Balances and Transfers

Interfund receivables and payables at June 30, 2014 consist of the following individual balances, representing monies advanced to funds to be repaid when grant funds or other program revenues are received, and for services rendered by one fund for another:

	Interfund Receivable	Interfund Payable
<i>Major Fund</i>		
General	\$255,268	\$0
<i>Other Governmental Funds</i>		
Pell Grant	0	1,969
ABLE	0	8,347
Career Development	0	305
Vocational	0	142,339
Miscellaneous Federal Grants	0	19,206
Bond Retirement	0	83,102
Total Other Governmental Funds	0	255,268
Total	\$255,268	\$255,268

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

During fiscal year 2014, the following operating transfers were made to subsidize the various programs of the School District:

	Transfers In	Transfers Out
<i>Major Funds</i>		
General	\$0	\$521,242
Adult Education	2,146	0
Permanent Improvement	0	1,000,000
Locally Funded Initiative	1,367,079	0
Total Major Funds	1,369,225	1,521,242
<i>Other Governmental Funds</i>		
Pell Grant	3,185	0
Food Service	30,799	0
Career Development	3,799	0
Vocational	114,234	0
Total Other Governmental Funds	152,017	0
Total	\$1,521,242	\$1,521,242

Note 16 - Jointly Governed Organizations

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Vinton, and Scioto Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eleven participating counties, two representatives of the school treasurers plus the fiscal agent. The School District paid \$69,067 for services provided by SCOCA during the fiscal year. Financial information can be obtained from Sandra Benson, Chief Financial Officer, 175 Beaver Creek Road, Suite C, Piketon, Ohio 45661.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for school district administrative personnel; gathers 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 Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2014.

Note 17 - Insurance Purchasing Pools

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

Lawrence County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Lawrence County Schools Council of Governments Health Benefits Program - The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Council), a shared risk pool created pursuant to state statute for the purpose of administering health care benefits. The Council is governed by a Board of Directors, which consists of the superintendent from each participating school district. The Council elects officers for one-year terms to serve on the Board. The Board of Directors exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the Council. Each school district reserves the right to withdraw from the plan. If this is done, no further contributions will be made and the school district will be distributed its net pooled share and all claims submitted by covered members of the school district after the distribution will be exclusively the liability of the school district.

Note 18 - Set Asides

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

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

	<u>Capital Improvements</u>
Set-Aside Balance as of June 30, 2013	\$136,876
Current Year Set-Aside Requirement	96,176
Qualifying Disbursements	<u>(203,422)</u>
Total	<u>\$29,630</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$29,630</u>
Set-Aside Balance as of June 30, 2014	<u>\$29,630</u>

Note 19 - Contingencies

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

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

Lawrence County Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 20 – Restatement of Beginning Balances

The School District identified errors in beginning retainage balances and construction in progress. Correction of those errors had the following effects on beginning balances:

	<u>Locally Funded Initiative Fund</u>	<u>School Facilities Fund</u>
Fund Balance, As Reported, June 30, 2013	\$342,309	\$2,486,464
Restatements	51,728	145,338
Fund Balance, As Corrected, July 1, 2013	<u>\$394,037</u>	<u>\$2,631,802</u>

Note 21 – Subsequent Event

On August 25, 2014, the Board of Education approved to change the name of the School District to Collins Career Technical Center.

Lawrence County Joint Vocational School District
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>United States Department of Agriculture</u>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$27,722	\$0	\$27,722	\$0
National School Lunch Program	3L60	10.555	88,558	11,134	88,558	11,134
Total Child Nutrition Cluster			116,280	11,134	116,280	11,134
Total United States Department of Agriculture			116,280	11,134	116,280	11,134
<u>United States Department of Education</u>						
<i>Direct from the Federal Agency</i>						
Student Financial Aid Cluster:						
Federal Direct Student Loans	N	84.268	2,359,273	0	2,359,273	0
Federal Pell Grant Program	N	84.063	1,467,492	0	1,467,492	0
Total Student Financial Aid Cluster			3,826,765	0	3,826,765	0
Rural Education	N	84.358	60,701	0	59,349	0
<i>Passed through the Ohio Department of Education</i>						
Career and Technical Education-Basic Grants to States	3L90	84.048	381,827	0	524,168	0
Adult Education-Basic Grants to States	3120	84.002	197,975	0	197,936	0
Improving Teacher Quality State Grants	3Y60	84.367	3,801	0	2,000	0
Total United States Department of Education			4,471,069	0	4,610,218	0
Total Federal Financial Assistance			\$4,587,349	\$11,134	\$4,726,498	\$11,134

N - direct award.

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

Lawrence County Joint Vocational School District
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2014

Note 1 – Significant Accounting Policies

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

Note 2 – Guaranteed Student Loans

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

Note 3 – Child Nutrition Cluster

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, Ohio (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

March 30, 2015

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Lawrence County Joint Vocational School District's (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2014. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



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

March 30, 2015

Lawrence County Joint Vocational School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>		
Type of financial statement opinion:		Unmodified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?		No
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major programs:		Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		No
Identification of major program(s):		Student Financial Aid Cluster: Federal Direct Student Loans (CFDA #84.268) and Federal Pell Grant Program (CFDA #84.063) Career and Technical Education-Basic Grants to States (CFDA #84.048)
Dollar threshold used to distinguish between type A and type B programs:		\$300,000
Auditee qualified as low-risk auditee?		Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Lawrence County Joint Vocational School District

Schedule of Prior Audit Findings

OMB Circular A-133 Section .315(b)

For the Fiscal Year Ended June 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2013-1	Significant Deficiency – Financial Reporting	No	Partially corrected - Reissued in Management Letter

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Dave Yost • Auditor of State

LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 2, 2015