



**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

**ASHLAND COUNTY–WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	15
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – General Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – Adult Education Fund	19
Statement of Fund Net Assets – Proprietary Fund	20
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	21
Statement of Cash Flows – Proprietary Fund	22
Statement of Fiduciary Net Assets – Fiduciary Funds.....	23
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	24
Notes to the Basic Financial Statements	25
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53
Schedule of Findings.....	55

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Ashland County-West Holmes Joint Vocational School District
Ashland County
1783 State Route 60
Ashland, Ohio 44805

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashland County-West Holmes Joint Vocational School District, Ashland County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashland County-West Holmes Joint Vocational School District, Ashland County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General and Adult Education Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. As described in Note 7, the District increased its capital asset capitalization threshold from \$300 to \$1,000 for the fiscal year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

101 Central Plaza South / 700 Bank One Tower / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

July 22, 2005

Ashland County-West Holmes Joint Vocational School District

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

The discussion and analysis of the Ashland County-West Holmes Joint Vocational School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$511,710, which represents a 13% increase from 2003.
- General revenues accounted for \$4,949,972 in revenue or 74% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$1,784,554 or 26% of total revenues of \$6,734,526.
- The District had \$6,222,816 in expenses related to governmental activities; only \$1,784,554 of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$4,949,972 were adequate to provide for these programs.
- Outstanding debt decreased from \$566,379 to \$447,604 during 2004.
- Among major funds, the general fund had \$4,491,955 in revenues and \$4,456,872 in expenditures and other financing uses. During fiscal year 2004, the general fund balance increased \$35,083 from \$202,352 to \$237,435.

Using this Annual Report

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

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund.

Ashland County-West Holmes Joint Vocational School District

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation and non-instructional services, which includes the food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, permanent improvement fund and the adult education fund.

Governmental Funds - Most of the 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 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 District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Proprietary Funds – The District maintains only one type of proprietary fund. The internal service fund is an accounting device used to accumulate and allocate costs internally among the District's various functions. The District has one internal service fund that accounts for a self-insurance program which provides medical/surgical, dental and vision to employees.

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

Recall the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2004 compared to 2003:

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$ 3,835,430	\$ 3,889,017
Capital Assets	4,162,803	4,266,123
Total Assets	7,998,233	8,155,140
Liabilities		
Long-Term Liabilities	848,460	948,196
Other Liabilities	2,670,735	3,239,616
Total Liabilities	3,519,195	4,187,812
Net Assets		
Invested in Capital Assets, Net of Related Debt	3,715,199	3,699,744
Restricted	160,270	172,258
Unrestricted	603,569	95,326
Total Net Assets	\$ 4,479,038	\$ 3,967,328

Total net assets increased by \$511,710. A decrease of \$103,320 in total capital assets reflects depreciation exceeding additional purchases. Total liabilities decreased by \$668,617, which was primarily a result of decreased deferred revenue and long-term liabilities.

Ashland County-West Holmes Joint Vocational School District

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

Table 2 shows the changes in net assets for fiscal year 2004. Since this is the first year the District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. This table will present two fiscal years in side-by-side comparison in successive reporting years. This will enable the reader to draw further conclusions about the District's financial status and possibly project future problems.

(Table 2)
Governmental Activities

	Governmental Activities 2004
Revenues:	
<i>Program Revenues:</i>	
Charges for Services	\$ 691,287
Operating Grants	1,093,267
<i>General Revenue:</i>	
Property Taxes	2,801,816
Grants and Entitlements	1,980,748
Other	167,408
<i>Total Revenues</i>	<u>6,734,526</u>
<i>Program Expenses</i>	
Instruction	3,966,460
Support Services:	
Pupil and Instructional Staff	512,493
Board of Education, Administration, Fiscal and Business	849,253
Operation and Maintenance	611,582
Pupil Transportation	9,655
Central	44,251
Operation of Non-Instructional Services	209,334
Interest and Fiscal Charges	19,788
<i>Total Expenses</i>	<u>6,222,816</u>
Increase in Net Assets	<u>\$ 511,710</u>

Governmental Activities

Several revenue sources fund the District's governmental activities with property taxes being the largest contributor. Property tax levies generated \$2.8 million in 2004. General revenues from grants and entitlements, such as the school foundation program, are also a large revenue generator. With the combination of taxes and intergovernmental revenues funding over 77% of expenses in governmental activities, the District monitors both of these revenue sources very closely for fluctuations.

Ashland County-West Holmes Joint Vocational School District

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

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**(Table 3)
Governmental Activities**

	2004	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 3,966,460	\$ 2,537,381
Support Services:		
Pupil and Instructional Staff	512,493	404,540
Board of Education, Administration		
Fiscal and Business	849,253	813,260
Operation and Maintenance of Plant	611,582	566,637
Pupil Transportation	9,655	9,142
Central	44,251	6,360
Operation of Non-Instructional Services	209,334	81,154
Interest and Fiscal Charges	19,788	19,788
Total	\$ 6,222,816	\$ 4,438,262

Instruction and student support services comprise 72% of governmental program expenses. Interest, fiscal and administration charges were 15%. Interest expense was attributable to the outstanding bonds; fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided by the District. Pupil transportation and the operation and maintenance of plant accounts for 10% of governmental program expenses. Operation of non-instructional services, consisting primarily of food service operations, comprises 3% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Ashland County-West Holmes Joint Vocational School District students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,703,669 and expenditures of \$6,447,855.

The net change in fund balance for the year was most significant in the permanent improvement fund. In fiscal year 2004, the net change in fund balance in the permanent improvement fund was \$77,706 reflecting revenues exceeding expenditures. The net change in the general fund and adult education fund was \$35,083 and \$57,740, respectively.

Ashland County-West Holmes Joint Vocational School District

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

General Fund Budgeting Highlights

The 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 2004, the District modified its general fund budget one time. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$4,533,518 and actual revenues were \$4,644,521. This represents a \$111,003 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$4,772,981 were increased to \$4,779,617 in the final budget. The actual expenditures and other financing uses for fiscal year 2004 totaled \$4,639,156, which was \$140,461 lower than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$4,162,803 invested in land, land improvements, buildings and building improvements, infrastructure, furniture and equipment and vehicles. See note 7 for additional details. Table 4 shows fiscal year 2004 balances compared with 2003.

**(Table 4)
Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Land	\$ 50,000	\$ 50,000
Land improvements	22,983	24,848
Buildings and building improvements	3,356,572	3,431,334
Furniture and equipment	696,465	716,194
Vehicles	15,212	21,257
Infrastructure	21,571	22,490
	<u> </u>	<u> </u>
Totals	<u>\$ 4,162,803</u>	<u>\$ 4,266,123</u>

The \$103,320 decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

Ashland County-West Holmes Joint Vocational School District

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

Debt Administration

At June 30, 2004, the District had \$447,604 in outstanding debt with \$126,609 due within one year. See note 8 for additional details. Table 5 summarizes bonds, loans and leases outstanding.

**(Table 5)
Outstanding Debt, at June 30**

	Governmental Activities	
	2004	2003
OWDA Loan	\$ 249,788	\$ 278,307
General Obligation Bonds	170,000	250,000
Capital Leases	27,816	38,072
	<hr/>	<hr/>
Total	\$ 447,604	\$ 566,379
	<hr/>	<hr/>

The OWDA loan was entered into in 2002 for mandated construction of a water reservoir. The general obligation bonds were entered into in 1996 and consist of school building construction issues.

Current Financial Related Activities

The Ashland County-West Holmes Joint Vocational School District has weathered a difficult year due to the fallout of reduced enrollment and the failure to pass an operating levy. However, the Board of Education and the Administrative Team have taken the necessary steps to keep the district operational as it moves into FY2005.

Real estate tax collections have shown a small increase. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920, which was passed in 1976 in response to double-digit inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become 0.5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 42% of revenues for governmental activities for the Ashland County-West Holmes Joint Vocational School District in fiscal year 2004.

The School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and the loss of commercial business and property due to plant closures. Management has diligently planned expenses so that the last levy has stretched for the three years it was planned. This has been made increasingly difficult with mandates, rising utility costs, increased services required for our students, and significant increases in fees and insurances.

Ashland County-West Holmes Joint Vocational School District

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

As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the district was in November 2000 with the promise that the revenue generated by a levy would provide sufficient funding for three years. The Board of Education submitted a new operating levy of 0.5 mill and a replacement of the 1.0 mill levy to the residents of the District in November 2003. This was defeated and resubmitted to the voters in March 2004 with the same result. The Board will present the levy to the voters again in August 2004. Since the levy expired on December 31, 2003, and has not been replaced or renewed, the Board was forced to implement reduction in force (RIF) proceedings for financial reasons. As a result, sixteen staff members received RIF notices in April 2004 that their jobs were being eliminated. This will save the district over \$700,000 to make up for the loss of the levy revenues and the costs of paying unemployment charges. Should the levy pass in August 2004, some positions will be reinstated. Not all positions will be returned, particularly those programs that have very small enrollments.

The staff members of the district have worked hard over the past year to reduce expenses while still delivering a quality education to students. There were no increases in the salary schedules for any employee during FY2004. The staff's commitment to the students and community are vital to weathering this current strain on finances.

The Ashland County-West Holmes Joint Vocational School District is a school of choice. Students choose to come to this school so enrollment levels are critical since it serves as the basis for receiving state foundation funding. Enrollment fell dramatically in FY2003 but rebounded in FY2004. Intensive recruitment and retention efforts should result in a better enrollment for FY2005 so our foundation payments go above the "guarantee amount". Even with the stigma of the defeat of the March 2004 levy, current enrollment levels are stable and should put us over the minimum foundation funding level for FY2005.

Management and the Board of Education will have to continually plan carefully and prudently to provide the resources to meet student needs over the next several years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Sherry Paullin, Treasurer of Ashland County-West Holmes Joint Vocational School District, 1783 State Route 60, Ashland, OH 44805.

This page intentionally left blank.

Ashland County - West Holmes Joint Vocational School District

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 574,766
Cash and Cash Equivalents in Segregated Accounts	469,849
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	4,036
Receivables:	
Taxes	2,533,140
Accounts	145,105
Intergovernmental	95,694
Prepaid Items	9,370
Inventory Held For Resale	3,470
Nondepreciable Capital Assets	50,000
Depreciable Capital Assets (Net)	<u>4,112,803</u>
<i>Total Assets</i>	<u>7,998,233</u>
Liabilities	
Accounts Payable	30,816
Contracts Payable	2,303
Accrued Wages and Benefits	458,613
Matured Compensated Absences Payable	14,917
Intergovernmental Payable	105,887
Deferred Revenue	1,963,112
Claims Payable	95,087
Long Term Liabilities:	
Due Within One Year	167,646
Due in More Than One Year	<u>680,814</u>
<i>Total Liabilities</i>	<u>3,519,195</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,715,199
Restricted for:	
Capital Projects	130,587
Other Purposes	29,683
Unrestricted	<u>603,569</u>
<i>Total Net Assets</i>	<u>\$ 4,479,038</u>

See accompanying notes to the basic financial statements.

Ashland County - West Holmes Joint Vocational School District

Statement of Activities

For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net Expense and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 391,681	\$ 6,076	\$ 860	\$ (384,745)
Special	165,156	2,904	288	(161,964)
Vocational	2,111,284	32,685	184,108	(1,894,491)
Adult Continuing	1,298,339	518,700	683,458	(96,181)
Support Services:				
Pupils	310,889	4,288	64,321	(242,280)
Instructional Staff	201,604	2,847	36,497	(162,260)
Board of Education	83,222	1,370	0	(81,852)
Administration	486,308	10,559	7,173	(468,576)
Fiscal	230,750	3,819	2,077	(224,854)
Business	48,973	43	10,952	(37,978)
Operation and Maintenance of Plant	611,582	8,136	36,809	(566,637)
Pupil Transportation	9,655	123	390	(9,142)
Central	44,251	57	37,834	(6,360)
Operation of Non-instructional Services	209,334	99,680	28,500	(81,154)
Interest and Fiscal Charges	19,788	0	0	(19,788)
<i>Total Governmental Activities</i>	<u>\$ 6,222,816</u>	<u>\$ 691,287</u>	<u>\$ 1,093,267</u>	<u>(4,438,262)</u>

General Revenues

Property Taxes Levied for:

General Purposes	2,385,692
Capital Outlay	416,124
Gifts and Donations	3,786
Grants and Entitlements not Restricted to Specific Programs	1,980,748
Investment Earnings	5,673
Miscellaneous	157,949
Total General Revenues	<u>4,949,972</u>
Change in Net Assets	511,710
Net Assets Beginning of Year - Restated (See note 3)	<u>3,967,328</u>
Net Assets End of Year	<u>\$ 4,479,038</u>

See accompanying notes to the basic financial statements.

Ashland County - West Holmes Joint Vocational School District

*Balance Sheet
Governmental Funds
June 30, 2004*

	<u>General</u>	<u>Permanent Improvement</u>	<u>Adult Education</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 333,590	\$ 35,365	\$ 120,030	\$ 85,781	\$ 574,766
Cash and Cash Equivalents:					
Restricted Cash	4,036	0	0	0	4,036
Receivables:					
Taxes	2,098,088	435,052	0	0	2,533,140
Accounts	30,113	0	114,490	502	145,105
Interfund	26,066	0	0	0	26,066
Intergovernmental	994	0	59,695	35,005	95,694
Prepaid Items	287	0	0	9,083	9,370
Inventory Held For Resale	0	0	0	3,470	3,470
<i>Total Assets</i>	<u>\$2,493,174</u>	<u>\$470,417</u>	<u>\$294,215</u>	<u>\$133,841</u>	<u>\$3,391,647</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 22,665	\$ 2,677	\$ 5,044	\$ 430	\$ 30,816
Contracts Payable	2,303	0	0	0	2,303
Accrued Wages and Benefits	403,406	0	37,327	17,880	458,613
Matured Compensated Absences Payable	0	0	14,917	0	14,917
Interfund Payable	0	0	0	26,066	26,066
Intergovernmental Payable	81,089	0	10,210	6,324	97,623
Deferred Revenue	1,746,276	362,101	46,095	0	2,154,472
<i>Total Liabilities</i>	2,255,739	364,778	113,593	50,700	2,784,810
Fund Balances					
Fund Balance:					
Reserved for Encumbrances	1,494	0	0	0	1,494
Reserved for Property Taxes Unavailable for Appropriation	351,812	72,951	0	0	424,763
Reserved for Inventory	0	0	0	3,470	3,470
Reserved for BWC Refund	4,036	0	0	0	4,036
Reserved for Termination Benefits	0	0	0	53,476	53,476
Unreserved, Designated:					
Designated for Budget Stabilization	72,189	0	0	0	72,189
Unreserved, Undesignated, Reported in:					
General Fund	(192,096)	0	0	0	(192,096)
Special Revenue Funds	0	0	180,622	26,195	206,817
Capital Projects Fund	0	32,688	0	0	32,688
<i>Total Fund Balances</i>	<u>237,435</u>	<u>105,639</u>	<u>180,622</u>	<u>83,141</u>	<u>606,837</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,493,174</u>	<u>\$ 470,417</u>	<u>\$ 294,215</u>	<u>\$ 133,841</u>	<u>\$ 3,391,647</u>

See accompanying notes to the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
*Reconciliation of Total Governmental
Fund Balances to Net Assets of Governmental Activities
June 30, 2004*

Total Governmental Fund Balances	\$	606,837
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,162,803
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	145,265	
Tuition	46,095	191,360
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		374,762
Intergovernmental payables include contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(8,264)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences	(400,856)	
Bonds Payable	(170,000)	
Loans Payable	(249,788)	
Capital Leases Payable	(27,816)	(848,460)
Net Assets of Governmental Activities	\$	4,479,038

See accompanying notes to the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Permanent Improvement	Adult Education	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 2,381,103	\$ 410,506	\$ 0	\$ 0	\$ 2,791,609
Intergovernmental	1,980,748	66,599	594,450	481,077	3,122,874
Investment Income	5,580	91	0	2	5,673
Tuition and Fees	16,830	0	471,041	34,155	522,026
Rentals	2,984	0	0	0	2,984
Charges for Services	52,254	0	0	67,928	120,182
Contributions and Donations	1,345	0	1,430	1,011	3,786
Miscellaneous	51,111	2,700	72,174	8,550	134,535
<i>Total Revenues</i>	4,491,955	479,896	1,139,095	592,723	6,703,669
Expenditures					
Current:					
Instruction:					
Regular	371,624	0	0	0	371,624
Special	187,056	910	0	69	188,035
Vocational	1,942,625	70,040	0	188,660	2,201,325
Adult Continuing	95,241	0	1,081,355	88,252	1,264,848
Support Services:					
Pupils	254,401	2,155	0	64,116	320,672
Instructional Staff	179,626	0	0	40,097	219,723
Board of Education	83,222	0	0	0	83,222
Administration	461,184	0	0	7,293	468,477
Fiscal	226,947	8,654	0	0	235,601
Business	2,849	45,624	0	500	48,973
Operation and Maintenance of Plant	489,730	82,761	0	3,763	576,254
Pupil Transportation	7,373	1,624	0	0	8,997
Central	3,690	0	0	40,700	44,390
Operation of Non-instructional Services	83,138	0	0	142,154	225,292
Capital Outlay	0	51,859	0	0	51,859
Debt Service:					
Principal Retirement	0	10,256	0	108,519	118,775
Interest and Fiscal Charges	0	3,549	0	16,239	19,788
<i>Total Expenditures</i>	4,388,706	277,432	1,081,355	700,362	6,447,855
<i>Excess of Revenues Over (Under) Expenditures</i>	103,249	202,464	57,740	(107,639)	255,814
Other Financing Sources (Uses)					
Transfers In	0	0	0	192,924	192,924
Transfers Out	(68,166)	(124,758)	0	0	(192,924)
<i>Total Financing Sources (Uses)</i>	(68,166)	(124,758)	0	192,924	0
<i>Net Change in Fund Balances</i>	35,083	77,706	57,740	85,285	255,814
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	202,352	27,933	122,882	(3,604)	349,563
<i>Increase in Reserve for Inventory</i>	0	0	0	1,460	1,460
<i>Fund Balances End of Year</i>	\$ 237,435	\$ 105,639	\$ 180,622	\$ 83,141	\$ 606,837

See accompanying notes to the basic financial statements.

Ashland County - West Holmes 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, 2004*

Net Change in Fund Balances - Total Governmental Funds	\$	255,814
--	----	---------

***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 the current year depreciation expense exceeded capital outlay in the current period.

Capital Asset Additions	\$ 151,952		
Current Year Depreciation	<u>(238,591)</u>		(86,639)

The net effect of transactions involving sale of capital assets are not reflected in the funds.			(16,681)
---	--	--	----------

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

Grants	(48,858)		
Delinquent Property Taxes	10,207		
Tuition	<u>46,095</u>		7,444

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.			1,460
--	--	--	-------

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

Loans/Bonds Payable	108,519		
Capital Leases Payable	<u>10,256</u>		118,775

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

Compensated Absences	(19,039)		
Intergovernmental Payables	<u>2,162</u>		(16,877)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue of the internal service fund is reported with governmental activities.

			<u>248,414</u>
--	--	--	----------------

Change in Net Assets of Governmental Activities	\$	<u><u>511,710</u></u>
---	----	-----------------------

See accompanying notes to the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 2,380,406	\$ 2,380,406	\$ 2,414,791	\$ 34,385
Intergovernmental	1,969,004	1,969,004	1,979,754	10,750
Investment Income	12,500	12,500	5,580	(6,920)
Tuition and Fees	18,000	18,000	17,630	(370)
Rentals	3,200	3,200	2,984	(216)
Charges for Services	52,300	52,300	52,254	(46)
Contributions and Donations	2,100	2,100	1,345	(755)
Miscellaneous	15,000	15,000	13,700	(1,300)
<i>Total Revenues</i>	<u>4,452,510</u>	<u>4,452,510</u>	<u>4,488,038</u>	<u>35,528</u>
Expenditures				
Current:				
Instruction:				
Regular	376,632	376,632	367,690	8,942
Special	178,922	178,922	179,451	(529)
Vocational	2,030,008	2,030,008	1,974,967	55,041
Adult Continuing	100,408	100,408	99,220	1,188
Support Services:				
Pupils	260,250	260,250	254,032	6,218
Instructional Staff	221,403	221,403	177,167	44,236
Board of Education	102,156	102,156	84,835	17,321
Administration	506,334	506,334	493,058	13,276
Fiscal	253,013	253,013	232,107	20,906
Business	2,968	2,968	2,849	119
Operation and Maintenance of Plant	523,518	523,518	491,063	32,455
Pupil Transportation	10,503	10,503	7,291	3,212
Central	2,955	2,955	3,663	(708)
Operation of Non-Instructional Services	83,000	89,636	83,138	6,498
<i>Total Expenditures</i>	<u>4,652,070</u>	<u>4,658,706</u>	<u>4,450,531</u>	<u>208,175</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(199,560)	(206,196)	37,507	243,703
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	1,000	1,000	216	(784)
Refund of Prior Year Expenditures	13,500	13,500	7,346	(6,154)
Advances In	54,529	54,529	134,012	79,483
Advances Out	(55,000)	(55,000)	(105,549)	(50,549)
Transfers In	11,979	11,979	14,909	2,930
Transfers Out	(65,911)	(65,911)	(83,076)	(17,165)
<i>Total Other Financing Sources (Uses)</i>	<u>(39,903)</u>	<u>(39,903)</u>	<u>(32,142)</u>	<u>7,761</u>
<i>Net Change in Fund Balance</i>	(239,463)	(246,099)	5,365	251,464
<i>Fund Balance Beginning of Year</i>	325,727	325,727	325,727	0
Prior Year Encumbrances Appropriated	2,736	2,736	2,736	0
<i>Fund Balance End of Year</i>	<u>\$ 89,000</u>	<u>\$ 82,364</u>	<u>\$ 333,828</u>	<u>\$ 251,464</u>

See accompanying notes to the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Adult Education Fund
 For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 665,244	\$ 665,244	\$ 542,060	\$ (123,184)
Tuition and Fees	462,298	462,298	446,232	(16,066)
Charges for Services	2,000	2,000	0	(2,000)
Contributions and Donations	1,900	1,900	1,430	(470)
Miscellaneous	4,600	4,600	36,192	31,592
<i>Total Revenues</i>	<u>1,136,042</u>	<u>1,136,042</u>	<u>1,025,914</u>	<u>(110,128)</u>
Expenditures				
Current:				
Instruction:				
Adult Continuing	<u>1,191,608</u>	<u>1,191,608</u>	<u>1,061,878</u>	<u>129,730</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(55,566)	(55,566)	(35,964)	19,602
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	1,000	1,000	678	(322)
Advances In	29,439	29,439	74,438	44,999
Advances Out	(35,000)	(35,000)	(45,000)	(10,000)
Transfers In	483,519	483,519	401,165	(82,354)
Transfers Out	(423,392)	(423,392)	(401,164)	22,228
<i>Total Other Financing Sources (Uses)</i>	<u>55,566</u>	<u>55,566</u>	<u>30,117</u>	<u>(25,449)</u>
<i>Net Change in Fund Balance</i>	0	0	(5,847)	(5,847)
<i>Fund Balance Beginning of Year</i>	<u>125,876</u>	<u>125,876</u>	<u>125,876</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 125,876</u>	<u>\$ 125,876</u>	<u>\$ 120,029</u>	<u>\$ (5,847)</u>

See accompanying notes to the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2004

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	\$ 469,849
Liabilities	
Claims Payable	<u>95,087</u>
Net Assets	
Unrestricted	<u>\$ 374,762</u>

See accompanying notes to the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2004

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	\$ 742,172
Operating Expenses	
Claims	409,299
Purchased Services	86,891
<i>Total Operating Expenses</i>	496,190
<i>Operating Income</i>	245,982
Non-Operating Revenues (Expenses)	
Interest	2,432
<i>Change in Net Assets</i>	248,414
<i>Net Assets Beginning of Year</i>	126,348
<i>Net Assets End of Year</i>	\$ 374,762

See accompanying notes to the basic financial statements.

Ashland County - West Holmes Joint Vocational School District

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2004

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows From Operating Activities:	
Cash Received from Charges for Services	\$ 742,172
Cash Paid for Services	(86,891)
Cash Paid for Claims	(404,846)
	<hr/>
<i>Net Cash Provided By Operating Activities</i>	250,435
	<hr/>
Cash Flows From Investing Activities:	
Interest on Investments	2,432
	<hr/>
<i>Net Increase in Cash and Cash Equivalents</i>	252,867
<i>Cash and Cash Equivalents at Beginning of Year</i>	216,982
	<hr/>
<i>Cash and Cash Equivalents at End of Year</i>	\$ 469,849
	<hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$ 245,982
Adjustments:	
Increase in Liabilities	
Claims Payable	4,453
	<hr/>
<i>Net Cash Provided By Operating Activities</i>	\$ 250,435
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 29,343	\$ 26,572
Accounts Receivable	0	200
<i>Total Assets</i>	\$ 29,343	\$ 26,772
Liabilities		
Due to Students	\$ 0	\$ 26,772
Net Assets		
Held in Trust for Scholarships	29,343	
<i>Total Net Assets</i>	\$ 29,343	

See accompanying notes to the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust
	Scholarship
Additions	
Gifts and Contributions	\$ 650
Interest	150
Total Additions	\$ 800
Deductions	
Scholarships Awarded	1,250
<i>Change in Net Assets</i>	(450)
<i>Net Assets Beginning of Year</i>	29,793
<i>Net Assets End of Year</i>	\$ 29,343

See accompanying notes to the basic financial statements.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

Description of the Entity

The Ashland County-West Holmes Joint Vocational School District, Ashland County, (the "District") is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District, as defined by Section 3311.18 of the Ohio Revised Code, is responsible for providing public education to residents of the member school districts. The District is directed by an appointed nine-member Board of Education appointed by participating school districts. Average daily membership on June 30, 2004 was 330. The District employs 65 certificated and 26 non-certificated employees.

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to, or can otherwise access, the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The District is associated with the Tri-County Computer Service Association (TCCSA) which is defined as a jointly governed organization. This organization is presented in Note 16 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are shown below.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the 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 District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds. The major General Fund, Permanent Improvement Fund and the Adult Education Fund are presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

B. Fund Accounting

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

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund – The permanent improvement fund receives property taxes for acquisition, construction or improvement of capital facilities.

Adult Education Fund – The adult education fund accounts for transactions made in connection with adult education classes. Receipts 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.

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

Proprietary Fund Types

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; the District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's internal service fund accounts for the operation of the District's self-insurance program for employee medical benefits.

Fiduciary Funds

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

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 10). 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 fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expense with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as deferred revenue.

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.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administrative purposes. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are either charged when purchased or credited at the time of redemption to their respective fund balances. Investment income is recorded in the general fund, as permitted by the Ohio Revised Code. Investments are stated at cost, which approximates market value at year end.

During fiscal year 2004, investments were limited to STAROhio and a repurchase agreement. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$5,580, which includes \$2,521 assigned from other District funds.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2004. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for budget stabilization. See Note 14 for additional information regarding set-asides.

I. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2004, the District increased its capitalization threshold from \$300 to \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	5-10 Years
Buildings and Building Improvements	10-50 Years
Infrastructure	50 Years
Furniture and Equipment	5-20 Years
Vehicles	5-20 Years

J. Interfund Balances

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

K. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for 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 District will compensate the employees for the benefits through paid time off or some other means.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities from the internal service fund are reported on the proprietary fund financial statements.

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

N. Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditures. The District records designations for portions of fund equity which the District Board of Education has segregated for specific future use. The District has an amount designated for budget stabilization. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves have been established for encumbrances, inventory, property taxes unavailable for appropriation, termination benefits, and BWC refund.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual 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. Neither type of transaction occurred during fiscal year 2004.

P. Estimates

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

Q. Interfund Activity

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

R. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, the District has elected to budget for their agency funds. The legal level of control is at the fund level for all funds. Budgetary modifications may only be made by resolution of the Board of Education.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Ashland County Budget Commission for rate determination.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

Appropriations

A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at the legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the budgetary statements represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES/ NET ASSETS

Changes in Accounting Principles

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units"; GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statement Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

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

GASB Statement No. 34 creates new basic financial statements for reporting on the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements show the District’s programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting and the reclassification of funds based on the guidance provided in Statement No. 34. Due to these fund reclassifications, there are no business-type activities reported.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2004

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES/ NET ASSETS (Continued)

Restatement of Fund Balance

It was determined that enterprise funds should be reclassified to special revenue funds and prepaids will now be reported at the fund financial statement level. The restatements for GASB Statement No. 34 and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Permanent Improvement</u>	<u>Adult Education</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balances, June 30, 2003	\$ 202,352	\$ 27,933	\$ 122,882	\$ (6,697)	\$ 346,470
Fund reclassification	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,093</u>	<u>3,093</u>
Restated fund balances, June 30, 2003	\$ 202,352	\$ 27,933	\$ 122,882	\$ (3,604)	349,563
GASB 34 Adjustments:					
Capital assets					4,266,123
Compensated absences					(381,817)
Internal service fund					126,348
Intergovernmental payable					(10,426)
Long-term (deferred) assets					183,916
Long-term liabilities					<u>(566,379)</u>
Governmental activities, net assets, June 30, 2003					<u>\$ 3,967,328</u>

NOTE 4 – FUND DEFICITS

GAAP basis fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
Nonmajor Special Revenue Funds:	
Educational Management Information System	\$ 34
Vocational Education	1,465
Improving Teacher Quality	867

These funds compiled with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2004

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

Budgetary Reporting

While the District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual, is presented for the general fund and the adult education fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund and the adult education fund:

Net Change in Fund Balance

	General	Adult Education
GAAP Basis	\$ 35,083	\$ 57,740
Net Adjustments for Revenue Accruals	152,566	363,100
Net Adjustment for Expenditure Accruals	(178,487)	(426,687)
Adjustment for Encumbrances	(3,797)	0
Budget Basis	\$ 5,365	\$ (5,847)

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 - CASH AND CASH EQUIVALENTS

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

Active deposits are public deposits necessary to meet the demands on the treasury. Such monies must be maintained either as cash in the 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 the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation or 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.

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

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

- 1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6) The State Treasurer's Investment Pool (STAROhio);

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2004

NOTE 6 - CASH AND CASH EQUIVALENTS (Continued)

- 7) Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
- 8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At year-end, the carrying amount of the District's deposits was \$48,501 and the bank balance was \$70,552. The bank balance was entirely covered by federal depository insurance.

Funds Held by Fiscal Agent

The District is self-insured through Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), with Self Funded Plans being the third party administrator for employee benefits. At June 30, 2004, there was a cash balance of \$469,849 with OME-RESA. All benefit deposits are made to OME-RESA's depository account. Collateral is held by a qualified third-party trustee in the name of OME-RESA.

Investments

The District's investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name. STAROhio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$ 269,755	\$ 269,755	\$ 269,755
STAROhio	0	316,461	316,461
	\$ 269,755	\$ 586,216	\$ 586,216

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2004

NOTE 6 - CASH AND CASH EQUIVALENTS (Continued)

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 1,104,566	\$ 0
Investments:		
Repurchase Agreement	(269,755)	269,755
STAROhio	(316,461)	316,461
Funds Held by Fiscal Agent	(469,849)	0
GASB Statement No. 3	\$ 48,501	\$ 586,216

NOTE 7 - CAPITAL ASSETS

The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy, (See Note 2I) errors and omissions from the prior year, to remove the books and to depreciate capital assets in accordance with GASB Statement No. 34.

	Balance 6/30/2003	Adjustments	Restated Balance 6/30/2003
Governmental Activities:			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 0	\$ 50,000	\$ 50,000
<i>Capital assets, being depreciated:</i>			
Land Improvements	141,198	11,665	152,863
Buildings and Building Improvements	6,257,971	(57,666)	6,200,305
Infrastructure	0	51,056	51,056
Furniture and Equipment	2,427,204	(319,406)	2,107,798
Vehicles	34,500	0	34,500
Books	316,795	(316,795)	0
<i>Total capital assets, being depreciated</i>	9,177,668	(631,146)	8,546,522
Less: Accumulated Depreciation:	35,893	4,294,506	4,330,399
<i>Total capital assets being depreciated</i>	9,141,775	(4,925,652)	4,216,123
<i>Governmental activities capital assets, net</i>	\$ 9,141,775	\$ (4,875,652)	\$ 4,266,123

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 7 – CAPITAL ASSETS (Continued)

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

	Restated Balance June 30, 2003	Additions	Reductions	Transfers	Balance June 30, 2004
Governmental Activities:					
<i>Capital assets, not being depreciated:</i>					
Land	\$ 50,000	\$ 0	\$ 0	\$ 0	\$ 50,000
<i>Capital assets, being depreciated:</i>					
Land Improvements	152,863	0	(2,800)	0	150,063
Building and Building Improvements	6,200,305	41,028	0	0	6,241,333
Infrastructure	51,056	0	0	0	51,056
Furniture and Equipment	2,107,798	108,599	(121,591)	9,300	2,104,106
Vehicles	34,500	2,325	(3,500)	(9,300)	24,025
<i>Total capital assets, being depreciated</i>	8,546,522	151,952	(127,891)	0	8,570,583
<i>Less: Accumulated depreciation</i>					
Land Improvements	(128,015)	(1,585)	2,520	0	(127,080)
Building and Building Improvements	(2,768,971)	(115,790)	0	0	(2,884,761)
Infrastructure	(28,566)	(919)	0	0	(29,485)
Furniture and Equipment	(1,391,604)	(118,024)	106,800	(4,813)	(1,407,641)
Vehicles	(13,243)	(2,273)	1,890	4,813	(8,813)
<i>Total accumulated depreciation</i>	(4,330,399)	(238,591)	111,210	0	(4,457,780)
<i>Total capital assets being depreciated, net</i>	4,216,123	(86,639)	(16,681)	0	4,112,803
<i>Governmental activities capital assets, net</i>	<u>\$ 4,266,123</u>	<u>\$ (86,639)</u>	<u>\$ (16,681)</u>	<u>\$ 0</u>	<u>\$ 4,162,803</u>

The transfers are due to the District moving a van out of the vehicles classification to the furniture and equipment because it was given to the Automotive Technology program to use.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2004

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 47,433
Special	897
Vocational	125,681
Adult/Continuing	18,571
Support Services:	
Pupils	2,392
Instructional Staff	3,223
Administration	5,215
Fiscal	3,293
Operation and Maintenance of Plant	18,985
Pupil Transportation	2,273
Operation of Non-Instructional Services	10,628
Total Depreciation Expense	\$ 238,591

NOTE 8 - LONG-TERM OBLIGATIONS

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

	Outstanding July 1, 2003	Additions	Reductions	Outstanding June 30, 2004	Due Within One Year
OWDA Loan					
2.0% interest rate, due 7/01/2012	\$ 278,307	\$ 0	\$ (28,519)	\$ 249,788	\$ 29,093
General Obligation Bonds,					
5.15% interest rate, due 1/01/2006	250,000	0	(80,000)	170,000	85,000
Capital lease payable	38,072	0	(10,256)	27,816	12,516
Compensated absences	381,817	19,039	0	400,856	41,037
Total	\$ 948,196	\$ 19,039	\$ (118,775)	\$ 848,460	\$ 167,646

Outstanding general obligation bonds consist of school building construction issues. Such bonds are direct obligations of the District for which the full faith, credit and resources are pledged and are payable from taxes levied on all taxable property. Proceeds from the bonds were used for energy conservation improvements to the school buildings.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2004

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

During 2002, the District entered into a loan agreement with the Ohio Water Development Authority for mandated construction of a water reservoir. The total amount of the loan was \$306,264. Payments will be made semi-annually through 2012.

The annual requirement to amortize all bonds and loans outstanding as of June 30, 2004, is as follows:

Year Ending, June 30,	General Obligation Bonds		OWDA Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 85,000	\$ 6,566	\$ 29,093	\$ 4,851	\$ 114,093	\$ 11,417
2006	85,000	2,189	29,677	4,266	114,677	6,455
2007	0	0	30,274	3,669	30,274	3,669
2008	0	0	30,882	3,061	30,882	3,061
2009	0	0	31,503	2,441	31,503	2,441
2010-2013	0	0	98,359	3,470	98,359	3,470
	<u>\$ 170,000</u>	<u>\$ 8,755</u>	<u>\$ 249,788</u>	<u>\$ 21,758</u>	<u>\$ 419,788</u>	<u>\$ 30,513</u>

NOTE 9 - CAPITAL LEASES

The District has entered into capitalized leases for copying machines. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures within the major permanent improvement fund in the basic financial statements for the governmental funds.

General capital assets, consisting of copiers, have been capitalized in the statement of net assets in the amount of \$52,918. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal payments in fiscal year 2004 totaled \$10,256 in the capital projects funds.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2004:

Year ending June 30,		<u>Capital Leases</u>
2005		\$ 12,597
2006		12,144
2007		<u>7,084</u>
Minimum lease payments		31,825
Less: Amount representing interest		<u>4,009</u>
Present value of minimum lease payments		<u>\$ 27,816</u>

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 10 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are payable annually or semi-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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 become a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value.

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

The District receives property taxes from Ashland, Holmes, Wayne, Richland, Knox, Lorain and Coshocton Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2004 are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes delinquent taxes outstanding, real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$351,812 in the general fund and \$72,951 in the permanent improvement fund. The amount available as an advance at June 30, 2003 was \$385,500 in the general fund and \$64,390 in the permanent improvement fund.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2004

NOTE 10 - PROPERTY TAXES (Continued)

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

There were no new levies passed during the current fiscal year. The assessed values upon which fiscal year 2004 taxes were collected are:

	<u>2003 Second Half Collections</u>		<u>2004 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 964,806,630	68.80%	\$ 1,000,493,110	69.81%
Commercial Industrial	181,002,980	12.90%	186,022,180	12.98%
Public Utility	2,905,320	0.21%	2,926,830	0.20%
Tangible Personal Property	253,665,959	18.09%	243,730,780	17.01%
Total Assessed Value	<u>\$ 1,402,380,889</u>	<u>100%</u>	<u>\$ 1,433,172,900</u>	<u>100%</u>

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System (SERS)

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$79,573, \$76,827 and \$75,942, respectively. The District has contributed 100% for all fiscal years.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (STRS)

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$440,372, \$467,026 and \$456,077, respectively; 100% has been contributed for each fiscal year.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, a portion of the members of the Board of Education have elected social security, and some have chosen the SERS/STRS system. The District's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

Retirees who participated in the DC or Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$31,455 for fiscal year 2004.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004 net health care costs paid by STRS were \$268.739 million and STRS had \$111.853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established as \$25,400. For the District, the amount to fund health care benefits, including surcharge, during the 2004 fiscal year equaled \$34,755.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2004

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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

NOTE 13 - INTERFUND ACTIVITY

At June 30, 2004, receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 26,066	\$ 0
Nonmajor Governmental Funds:		
Vocational Education	0	14,519
High Schools That Work	0	10,500
Safe and Drug Free Schools	0	671
Title II	0	195
Title VI	0	181
Total all funds	\$ 26,066	\$ 26,066

NOTE 14 - SET-ASIDES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. At June 30, 2004, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2004

NOTE 14 – SET-ASIDES (Continued)

	<u>Textbook Reserve</u>	<u>Capital Acquisition</u>	<u>BWC Reserve (formerly Budget Stabilization)</u>	<u>Totals</u>
Set-aside reserve balance as of				
June 30, 2003	\$ 0	\$ 0	\$ 12,036	\$ 12,036
Current year set-aside requirement	44,756	44,756	0	89,512
Current year offsets	(200,972)	(200,972)	0	(401,944)
Current year qualifying expenditures	<u>0</u>	<u>0</u>	<u>(8,000)</u>	<u>(8,000)</u>
 Totals	 <u>\$ (156,216)</u>	 <u>\$ (156,216)</u>	 <u>\$ 4,036</u>	 <u>\$ (308,396)</u>
 Set-aside balance carried forward to future fiscal years	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 4,036</u>	
 Set-aside reserve balance as of June 30, 2004	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 4,036</u>	
 Total restricted assets				 <u>\$ 4,036</u>

The District had offsets during the fiscal year that reduced the textbook and capital acquisition set-aside amounts below zero. These amounts may not be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$4,036.

The District has elected to maintain the budget reserve until a future determination on the use of the funds can be made. The amount of the former budget stabilization reserve identified as Bureau of Workers' Compensation refunds is classified as Reserved for BWC Refund and the remaining balance has been classified as Fund Balance – Designated for Budget Stabilization. The amount of the former budget stabilization reserve classified as Fund Balance – Designated for Budget Stabilization is \$72,189.

NOTE 15 - RISK MANAGEMENT

A. General Insurance

The 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 District has a comprehensive property and casualty policy with a deductible of \$5,000 per incident on property and equipment. The District's comprehensive property and casualty policy aggregate limit is approximately \$20,435,555. The District's vehicle insurance policy limit is \$1,000,000 with a \$500 collision deductible for automobiles and \$1,000 deductible for buses. All board members, administrators, and employees are covered under a District liability policy.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2004

NOTE 15 - RISK MANAGEMENT (Continued)

Additionally, the District carries a \$3,000,000 Educational Liability Policy. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 in aggregate. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

B. Fidelity Bond

The Board President and Superintendent have a \$20,000 position bond. The Treasurer is covered under a surety bond in the amount of \$50,000. The District's Cashier has a bond in the amount of \$20,000. In addition, the District is covered by a blanket Public Employee Dishonesty Policy in the amount of \$200,000.

C. Workers' Compensation

The District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts. The purchasing pool is administered by The Gates McDonald Co.

D. Employee Health Insurance

The District is self insured for its medical and dental insurance programs. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$50,000 per employee. The liability for unpaid claims cost of \$95,087 is reported in the internal service fund at June 30, 2004, in accordance with Governmental Accounting Standards Board Statement No. 10. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

Changes in the fund's claims liability for 2003 and 2004 are listed below.

	<u>Balance at Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>Balance at End of Year</u>
2004	\$ 90,634	\$ 409,299	\$ 404,846	\$ 95,087
2003	\$ 105,129	\$ 462,440	\$ 476,935	\$ 90,634

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Tri-County Computer Service Association (TCCSA)

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based upon per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Midland Council of Governments, which serves as fiscal agent, located in Wooster, Ohio.

NOTE 17 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the District at June 30, 2004.

B. Litigation

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

NOTE 18 - STATE SCHOOL FUNDING DECISION

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

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

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

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

Ashland County-West Holmes Joint Vocational School District
Ashland County
1783 State Route 60
Ashland, Ohio 44805

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashland County-West Holmes Joint Vocational School District, Ashland County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 22, 2005, in which we noted that the District implemented Governmental Accounting Standards Board Statement No. 34 and noted the District increased its capital asset capitalization threshold. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

In a separate letter to the District's management dated July 22, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

101 Central Plaza South / 700 Bank One Tower / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Compliance and Other Matters

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

In a separate letter to the District's management dated July 22, 2005, we reported an other matter related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

July 22, 2005

**ASHLAND COUNTY–WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

Reportable Condition

FINDING NUMBER 2004-001

Capital Assets

The following conditions were noted during our testing of the District's capital assets:

- There were numerous assets in the District's capital asset report that were fully depreciated. An asset should not outlive its expected life. Some of the capital assets have been fully depreciated since 1977.
- All of the depreciable assets have a salvage value of 10%. This is not realistic for the majority of the assets. Some of the assets will be discarded when replaced and will have no salvage value, and some of the assets will have some salvage value, but not 10%. The salvage value results in less depreciation for the assets, which results in a higher net book value, possibly overstating the capital assets.
- The District has some assets that are fully depreciated on the District's books, however, according to their useful life, they should not be fully depreciated, and should have anywhere from 18 to 41 years left to depreciate. This resulted in the net capital assets being understated by \$2,146,532. This adjustment is reflected in the financial statements.
- The District has textbooks and library books included in their capital assets with a net value of \$44,778. However, the District has no accurate way of tracking the books. As a result, the net capital assets could be overstated or understated. The textbooks and library books have been removed from the financial statements.
- The District has land that was purchased in 1972 and was valued at \$50,000. This land is not included on the District's books, and originally was not included in the financial statements, resulting in the capital assets to be understated. An adjustment has been made to include the land in the financial statements.
- The District built a water reservoir, which was completed in fiscal year 2003. This reservoir, with a cost of \$306,264, was never added to the District's books in 2003. As a result, the capital assets were understated. An adjustment has been made to include the water reservoir in the financial statements.
- The District does not have a detailed capital asset policy that has been approved by the Board of Education. This may allow for items to be inadvertently omitted from the capital asset listing or allow those items which are not intended to be recognized to be included in the capital asset listing.

Capital Assets (Continued)

To improve accountability and reporting accuracy for the capital assets, we recommend the following:

- The District should periodically reevaluate asset useful lives to make sure that the asset does not outlive its expected life. If necessary, the District should change their expected lives so that they more accurately reflect the estimated useful lives of the assets.
- If the District chooses to use salvage values, they should determine the salvage value on an individual basis. The salvage value should be based on past experiences with different types of assets and whether or not they were able to receive any value out of the asset when it was disposed. This will allow for accurate net book values for assets.
- The District should review their records and correct those assets that are indicated as fully depreciated, yet still have a remaining useful life. This will allow for an accurate measure of the net book value of the District's capital assets. The District should also monitor the capital asset reports to ensure there are no irregularities in the reports.
- Since the District is unable to accurately track the textbooks and library books, and since the cost of an individual book is less than the capitalization threshold, the books should be removed from the District's capital asset listing. This should be included in the District's capital assets policy.
- The District should add the land at its value of \$50,000 to their capital asset listing.
- The District should add the water reservoir at its cost of \$306,264 to their capital asset listing and ensure that the correct amount of accumulated depreciation is recorded on the asset. Also, the District needs to ensure in future years that construction-in-progress, when completed, is moved to its correct category on the District's capital asset listing.
- The District should approve a detailed written capital asset policy. The policy should address items such as:
 - Listing the definition of various asset categories and identifying what assets will be included in those categories.
 - Documenting the capital asset threshold for which assets will or will not be capitalized, and how they are going to handle assets that have a cost that exceeds the threshold in aggregate, but individually the cost is below the threshold (i.e. textbooks).
 - How depreciation will be calculated (i.e. straight-line method).
 - The process for adding and deleting assets, such as what type of forms to use, who to submit the forms to, etc.
 - The useful lives of each capital asset category.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**ASHLAND COUNTY - WEST HOLMES JOINT VOCATIONAL SCHOOL
DISTRICT**

ASHLAND 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
SEPTEMBER 13, 2005**