



Mary Taylor, CPA
Auditor of State

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Ashtabula County Joint Vocational School District
Ashtabula County
1565 State Route 167
Jefferson, Ohio 44047

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 Ashtabula County Joint Vocational School District, Ashtabula County (the District), as of and for the year ended June 30, 2006, 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 Ashtabula County Joint Vocational School District, Ashtabula County as of June 30, 2006, and the respective changes in financial position, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2007, 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.

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 inquires of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it

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

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

Mary Taylor CPA
Auditor of State

June 21, 2007

Ashtabula County Joint Vocational School District

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

As management of the Ashtabula County Joint Vocational School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- For governmental activities, net assets increased \$1,265,420, which represents a 9.87 percent increase from 2005.
- General revenues accounted for \$10,631,872 in revenue or 77.14 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,150,825 or 22.86 percent of total governmental revenues of \$13,782,697.
- The District had \$12,517,277 in expenses related to governmental activities; only \$3,150,825 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and intergovernmental) of \$10,631,872 were adequate to provide for these programs.
- Among major funds, the general fund had \$10,328,490 in revenues and \$9,991,567 in expenditures and other financing uses. The general fund's fund balance increased to \$6,073,415 from \$5,736,492.
- The permanent improvement capital projects fund had \$1,126,173 in revenue and other financing sources and \$584,994 in expenditures, which resulted in an increase of the fund balance from \$3,193,633 to \$3,734,812.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District basic financial statements comprise three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Ashtabula County Joint Vocational School District

*Management's Discussion and Analysis
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The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services and interest and fiscal charges.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the permanent improvement capital projects fund. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary fund.

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

The basic fund financial statements can be found on pages 16-19 of this report.

Fiduciary Fund Fiduciary fund is used to account for resources held for the benefit of parties outside the government. Fiduciary fund is not reflected in the government-wide financial statement because the resources of this fund is not available to support the School District's own programs. The accounting used for fiduciary fund is much like that used for proprietary fund.

The basic fiduciary fund financial statement can be found on page 21 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-43 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Assets for 2006 compared to 2005.

Assets exceeded liabilities by \$14,090,135 at the close of the most recent fiscal year for the School District.

Ashtabula County Joint Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

Unaudited

(Table 1)
Net Assets
Governmental Activities

	2006	2005	Change
Assets			
Current and Other Assets	\$14,743,564	\$14,140,158	\$603,406
Capital Assets	4,066,767	3,490,311	576,456
<i>Total Assets</i>	<u>18,810,331</u>	<u>17,630,469</u>	<u>1,179,862</u>
Liabilities			
Current Liabilities	3,914,537	4,036,081	(121,544)
Long-Term Liabilities			
Due within One Year	155,801	88,648	67,153
Due in More than One Year	649,858	681,025	(31,167)
<i>Total Liabilities</i>	<u>4,720,196</u>	<u>4,805,754</u>	<u>(85,558)</u>
Net Assets			
Invested in Capital Assets	4,066,767	3,490,311	576,456
Restricted for:			
Capital Projects	3,761,408	3,221,732	539,676
Other Purposes	586,984	462,115	124,869
Unrestricted	5,674,976	5,650,557	24,419
<i>Total Net Assets</i>	<u>\$14,090,135</u>	<u>\$12,824,715</u>	<u>\$1,265,420</u>

Current assets increased \$603,406. This increase, coupled with an increase in capital assets of \$576,456, resulted in a total increase in assets of \$1,179,862. The increase in capital assets was due to the School District purchasing \$696,975 in furniture, fixtures and equipment offset by the annual depreciation. Total cash of the School District also increased due to revenues exceeding expenses during fiscal year 2006.

Total liabilities decreased \$85,558 or 1.78 percent due to the decrease in accounts payable offset by slight increases to accrued wages and compensated absences.

By far the largest portion of the School District's net assets (40.28 percent) reflects its unrestricted net assets. It may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the School District's net assets (30.86 percent) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of net assets (\$4,066,767) is investment in capital assets (e.g., land, buildings, equipments, furniture, vehicles, and textbooks), less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

At the end of the current fiscal year, the School District is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

Ashtabula County Joint Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

Unaudited

Table 2 shows the changes in net assets for fiscal year 2006 compared to 2005.

(Table 2)			
Change in Net Assets			
Governmental Activities			
	2006	2005	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$788,983	\$803,135	(\$14,152)
Operating Grants and Contributions	2,361,842	2,622,782	(260,940)
Capital Grants and Contributions	0	21,257	(21,257)
<i>Total Program Revenues</i>	3,150,825	3,447,174	(296,349)
General Revenues			
Property and Other Local Taxes	4,597,890	4,291,872	306,018
Grants and Entitlements not Restricted	5,489,783	4,990,124	499,659
Investment Earnings	411,798	189,643	222,155
Miscellaneous	132,401	466,943	(334,542)
<i>Total General Revenues</i>	10,631,872	9,938,582	693,290
<i>Total Revenues</i>	13,782,697	13,385,756	396,941
Program Expenses			
Current:			
Instruction:			
Regular	826,168	822,055	4,113
Special	219,061	233,525	(14,464)
Vocational	6,325,113	6,199,773	125,340
Adult/Continuing	348,588	335,811	12,777
Support Services:			
Pupils	568,317	725,852	(157,535)
Instructional Staff	1,064,141	979,483	84,658
Board of Education	66,209	63,573	2,636
Administration	1,322,254	1,408,705	(86,451)
Fiscal	345,444	333,445	11,999
Business	62,226	22,053	40,173
Operation and Maintenance of Plant	1,035,155	1,152,498	(117,343)
Pupil Transportation	30,880	29,770	1,110
Central	30,213	74,338	(44,125)
Extracurricular Activities	22,818	56,455	(33,637)
Operation of Non-Instructional Services:			
Food Service Operations	250,648	239,300	11,348
Other Non-Instructional Services	42	0	42
Interest and Fiscal Charges	0	863	(863)
<i>Total Program Expenses</i>	12,517,277	12,677,499	(160,222)
<i>Increase in Net Assets</i>	1,265,420	708,257	557,163
Net Assets Beginning of Year	12,824,715	12,116,458	708,257
<i>Net Assets End of Year</i>	\$14,090,135	\$12,824,715	\$1,265,420

Ashtabula County Joint Vocational School District

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

Governmental activities increased the School District's net assets by \$1,265,420. Key elements of this increase are as follows:

- Total revenues increased by 2.97 percent or \$396,941. Program expenses decreased by 1.26 percent or \$160,222.
- The grants and entitlements increased significantly in fiscal year 2006 by \$499,659. Increased funding from the federal and state governments was the reason for this increase.
- Interest revenue and property tax revenues also increased during the current fiscal year, which accounted for \$528,173 in total. The rise of the interest rate resulted in a better return on investments. The increase in property tax revenue was from new construction in the current fiscal year.
- Program revenues decreased \$296,349 or 8.60 percent. Miscellaneous revenue decreased \$334,542 or 71.65 percent due to a reclassification of revenue sources in the current fiscal year.

There was a slight decrease in overall expenses of \$160,222 in comparison to the prior fiscal year. Although instructional expenses were up from the prior fiscal year, the School District was able to better manage resources in all other expense areas and either maintain a balance or show a decrease resulting in the overall drop.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for 2006 compared to 2005.

(Table 3)
Total and Net Cost of Program Services
Governmental Activities

	2006		2005	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$7,718,930	\$5,651,273	\$7,591,164	\$5,729,651
Support Services:				
Pupils and Instructional Staff	1,632,458	1,359,353	1,705,335	1,214,371
Board of Education, Administration, Fiscal and Business	1,796,133	1,212,772	1,827,776	1,042,647
Operation and Maintenance of Plant	1,035,155	1,027,904	1,152,498	1,152,318
Pupil Transportation	30,880	30,788	29,770	29,770
Central	30,213	22,114	74,338	17,719
Extracurricular Activities	22,818	(432)	56,455	(957)
Operation of Non- Instructional Services:				
Food Service Operations	250,648	62,638	239,300	43,943
Other Non-Instructional Services	42	42	0	0
Interest and Fiscal Charges	0	0	863	863
<i>Total Expenses</i>	<i>\$12,517,277</i>	<i>\$9,366,452</i>	<i>\$12,677,499</i>	<i>\$9,230,325</i>

Ashtabula County Joint Vocational School District

*Management's Discussion and Analysis
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The dependence upon general revenues for governmental activities is apparent as local property tax accounts for roughly 33.36 percent and grants and entitlements account for 39.83 percent of the total revenues in fiscal year 2006. This amount is approximately the same as in 2005. 73.21 percent of instructional activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 77.43 percent of total governmental revenues.

Financial Analysis of the Government's Funds

Governmental Fund. Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,665,620 and expenditures of \$13,051,074. The total governmental fund balance increased \$614,546. The net change in the governmental fund balance for the year was most significant in the permanent improvement fund, where the net assets increased by \$541,179 for fiscal year 2006.

Key factors in this increase of fund balance for the major governmental funds are as follows:

- The general fund revenues increased by \$822,250 compared to the previous year. Most of this increase could be traced to an increase in intergovernmental revenue. The expenditures and other financing uses also increased by \$1,181,050 compared to the prior year. The largest part of this increase in expenditures is due to transfers to the permanent improvement capital projects fund of \$768,000. Since the School District spent less than it brought in, it resulted in a net change in fund balance of \$336,923.
- The permanent improvement capital projects fund brought in \$1,126,173 of revenue and other financing sources during the current year. \$578,873 was spent for various improvements. Total fund balance increased by \$541,179.

General Fund Budgeting Highlights

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

During the course of fiscal year 2006 the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was \$10,098,248, over the original budget estimate of \$9,892,373. Of this \$205,875 difference, most of it could be accounted for from conservative estimates for property tax and intergovernmental revenues. These revenue line items fluctuate year to year and are budgeted on a conservative basis to avoid revenue overestimations. Actual revenue exceeded final budget basis revenue by \$99,146 mainly from higher than anticipated property tax collections.

The difference between the original budget appropriations and the final amended budget appropriations of the general fund was \$131,567. The change was mostly contributed to the increase in vocational instruction. Final amended budget appropriations exceeded actual expenditures by \$792,367 due to lower than expected vocational expenditures.

Ashtabula County Joint Vocational School District

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

Capital Assets and Long-term Liabilities

Capital Assets. The School District's investment in capital assets for its governmental activities as of June 30, 2006, amounted to \$4,066,767 (net of accumulated depreciation). The total increase in the School District's investment in capital assets for the current fiscal year was 16.52 percent.

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

	2006	2005
Land	\$153,226	\$153,226
Land Improvements	3,702	3,779
Buildings and Improvements	2,094,525	2,061,433
Furniture, Equipment and Fixtures	1,562,477	1,071,523
Vehicles	183,256	130,454
Textbooks	69,581	69,896
Total	<u>\$4,066,767</u>	<u>\$3,490,311</u>

While the School District acquired \$922,803 of capital assets, which included buildings and improvements, equipment, furniture and vehicles, \$128,863 of equipment and vehicles were scrapped with the School District incurring a loss of \$20,651 on the disposed assets. Additional information on the School District's capital assets can be found in note 9 of the basic financial statements. For fiscal year 1999, a change in Ohio law required school districts to set aside two percent of certain revenues for capital improvements and an additional two-percent for textbooks; this amount was increased to three percent beginning in fiscal year 2000. For fiscal year 2006, this amounted to \$108,462 for each set aside. Additional information on the School District's set-aside requirements can be found in note 19 of the basic financial statements.

Long-term Liabilities. At June 30, 2006, the School District had only compensated absences for long-term debts. The School District's overall liability increased \$42,659 from \$763,000 to \$805,659. Additional information on the School District's long-term liabilities can be found in note 15 of the basic financial statements.

Current Financial Related Activities

Ashtabula County Joint Vocational School District is strong financially. As the preceding information shows, the School District heavily depends on its property taxpayers. The School District has recently passed two levies that will allow the continuation of its education programs. The School District has a total of 4.11 mills levied; of which 3.31 is continuing millage as of June 30, 2006.

Ashtabula County Joint Vocational School District

*Management's Discussion and Analysis
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A .5 Mill Current Expense Renewal Tax Levy for three years, beginning with the tax list and duplicate for 2004 and ending in 2006, was passed on November 7, 2003, the proceeds of which levy would be available to the School District in calendar years 2005-2007. The purpose of this levy is to provide for the current operating expenses of the School District. It passed by a margin of 58 percent for the levy and 42 percent against the levy. This same levy was renewed as a continuing levy on November 7, 2006 and passed by a margin of 57 percent for the levy and 43 percent against the levy.

The Certificate of Estimated Property Tax Revenue from the Ashtabula County Auditor estimates the annual property tax revenue that will be produced by the levy is calculated to be \$677,161, assuming the tax valuation of the subdivision remains constant throughout the life of the levy. The tax valuation used was \$1,709,278,030.

A .3 Mill Permanent Improvement Renewal Tax Levy for five years, beginning with the tax list and duplicate for 2005 and ending in 2009, passed November 2, 2004, the proceeds of which levy would be available to the School District in calendar years 2006-2010. The purpose of this levy is for paying costs of improving and rehabilitating school facilities, acquiring and rehabilitating furnishings and equipment and equipping and otherwise improving school sites. It passed by a margin of 57 percent for the levy and 43 percent against the levy.

The Certificate of Estimated Property Tax Revenue from the Ashtabula County Auditor estimates the annual property tax revenue that will be produced by the levy is calculated to be \$303,241, assuming the tax valuation of the subdivision remains constant throughout the life of the levy. The tax valuation used was \$1,710,879,240.

With the passage of these levies the School District has been able to continue its education programs. However, financially the future is not without challenges. While the School District was successful in maintaining its tax revenue base in 2003, 2004 and 2005, this does not constitute an increase. Thus management must diligently plan expenses, staying carefully within the School District's five-year forecast.

Decreases in State foundation payments for fiscal year 2004 were due to a change in calculating vocational weights in some programs. Fiscal year 2005 Foundation increased due to five new programs which was offset by the loss of one program, which increases average daily membership funding and the weightings that go along with that. Property valuations provide no significant increase in future revenues. Any increases in property tax revenues, along with increases in State foundation payments due to increased enrollment, may help to keep up with increased costs. However, personal property tax is being phased out, and although there will be revenue reimbursement during a "hold-harmless period" and a new Commercial Activity Tax is being instituted, it is very difficult to project personal property tax due to the complexity of deregulation, phase-outs, tax loss reimbursements, and the continually changing laws regarding this item. But our enrollment is dependent on many factors and the School District must work hard to maintain its current enrollment, as we do not have a "captive audience" of automatic students enrolling. With its major sources of revenue keeping pace with expenditure increases, the School District must still be vigilant to continue current operations. However, the School District cannot look to the State of Ohio for increased revenue.

The scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Due to continued program expansion and an aging campus, the School District is seeking sources of assistance to stay current. A likely source of assistance is the Expedited Local Partnership Program with the Ohio School Facilities which will require sound fiscal management to set aside funds for the local share.

Ashtabula County Joint Vocational School District

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

In addition, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mary Ann Wayman, Treasurer at Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.

Ashtabula County Joint Vocational School District

Statement of Net Assets

June 30, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,600,708
Accrued Interest Receivable	59,833
Accounts Receivable	182,978
Intergovernmental Receivable	170,007
Inventory Held for Resale	4,892
Materials and Supplies Inventory	26,330
Taxes Receivable	4,698,816
Nondepreciable Capital Assets	153,226
Depreciable Capital Assets, Net	3,913,541
<i>Total Assets</i>	18,810,331
Liabilities	
Accounts Payable	65,437
Accrued Wages	912,447
Contracts Payable	8,371
Intergovernmental Payable	137,374
Matured Compensated Absences Payable	67,741
Deferred Revenue	2,723,167
Long-Term Liabilities:	
Due Within One Year	155,801
Due in More Than One Year	649,858
<i>Total Liabilities</i>	4,720,196
Net Assets	
Invested in Capital Assets	4,066,767
Restricted for:	
Capital Projects	3,761,408
Other Purposes	586,984
Unrestricted	5,674,976
<i>Total Net Assets</i>	\$14,090,135

See accompanying notes to the basic financial statements.

Ashtabula County Joint Vocational School District

Statement of Activities

For the Fiscal Year Ended June 30, 2006

	Program Revenues			Net
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Revenue/(Expense) and Changes in Net Assets
Governmental Activities				
Instruction:				
Regular	\$826,168	\$19,999	\$53,229	(\$752,940)
Special	219,061	1,367	0	(217,694)
Vocational	6,325,113	480,903	1,157,928	(4,686,282)
Adult/Continuing	348,588	24,794	329,437	5,643
Support Services:				
Pupils	568,317	2,609	151,253	(414,455)
Instructional Staff	1,064,141	18,723	100,520	(944,898)
Board of Education	66,209	421	0	(65,788)
Administration	1,322,254	97,073	482,929	(742,252)
Fiscal	345,444	2,173	0	(343,271)
Business	62,226	485	280	(61,461)
Operation and Maintenance of Plant	1,035,155	7,251	0	(1,027,904)
Pupil Transportation	30,880	92	0	(30,788)
Central	30,213	99	8,000	(22,114)
Extracurricular Activities	22,818	17,999	5,251	432
Operation of Non-Instructional Services:				
Food Service Operations	250,648	114,995	73,015	(62,638)
Other Non-Instructional Services	42	0	0	(42)
Totals	\$12,517,277	\$788,983	\$2,361,842	(9,366,452)

General Revenues

Property Taxes Levied for:

General Purposes	4,282,122
Capital Outlay	315,768
Grants and Entitlements not Restricted to Specific Programs	5,489,783
Investment Earnings	411,798
Miscellaneous	132,401

Total General Revenues 10,631,872

Change in Net Assets 1,265,420

*Net Assets Beginning of Year -
Restated (See Note 3)* 12,824,715

Net Assets End of Year \$14,090,135

See accompanying notes to the basic financial statements.

Ashtabula County Joint Vocational School District

*Balance Sheet
Governmental Funds
June 30, 2006*

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,102,437	\$3,631,566	\$866,705	\$9,600,708
Receivables:				
Taxes	4,367,220	331,596	0	4,698,816
Accounts	8,705	0	174,273	182,978
Intergovernmental	0	0	170,007	170,007
Interfund Receivable	372,767	0	0	372,767
Accrued Interest Receivable	59,833	0	0	59,833
Inventory Held for Resale	0	0	4,892	4,892
Materials and Supplies Inventory	25,013	0	1,317	26,330
<i>Total Assets</i>	<u>\$9,935,975</u>	<u>\$3,963,162</u>	<u>\$1,217,194</u>	<u>\$15,116,331</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$45,256	\$0	\$20,181	\$65,437
Accrued Wages	789,384	0	123,063	912,447
Contracts Payable	0	8,371	0	8,371
Intergovernmental Payable	95,658	0	41,716	137,374
Interfund Payable	0	0	372,767	372,767
Deferred Revenue	2,887,979	219,979	172,423	3,280,381
Matured Compensated Absences Payable	44,283	0	23,458	67,741
<i>Total Liabilities</i>	<u>3,862,560</u>	<u>228,350</u>	<u>753,608</u>	<u>4,844,518</u>
Fund Balances:				
Reserved for Encumbrances	839,868	39,063	220,424	1,099,355
Reserved for Property Taxes	1,485,216	111,617	0	1,596,833
Reserved for Unclaimed Monies	3,965	0	0	3,965
Unreserved, Undesignated, Reported in:				
General Fund	3,744,366	0	0	3,744,366
Special Revenue Funds	0	0	243,162	243,162
Capital Projects Funds	0	3,584,132	0	3,584,132
<i>Total Fund Balances</i>	<u>6,073,415</u>	<u>3,734,812</u>	<u>463,586</u>	<u>10,271,813</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,935,975</u>	<u>\$3,963,162</u>	<u>\$1,217,194</u>	<u>\$15,116,331</u>

See accompanying notes to the basic financial statements.

Ashtabula County Joint Vocational School District

Reconciliation of Total Governmental Fund Balances to

Net Assets of Governmental Activities

June 30, 2006

Total Governmental Funds Balances	\$10,271,813
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Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,066,767
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	378,816
Grants	11,909
Rentals	5,975
Charges for Services	20,521
Tuition	<u>139,993</u>

Total	557,214
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Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(805,659)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$14,090,135</u></u>
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See accompanying notes to the basic financial statements.

Ashtabula County Joint Vocational School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$4,284,332	\$317,271	\$0	\$4,601,603
Intergovernmental	5,448,881	40,902	2,368,023	7,857,806
Interest	410,986	0	812	411,798
Charges for Services	0	0	286,465	286,465
Tuition and Fees	33,000	0	271,837	304,837
Extracurricular Activities	0	0	11,590	11,590
Rentals	19,602	0	0	19,602
Contributions and Donations	0	0	39,518	39,518
Miscellaneous	131,689	0	712	132,401
<i>Total Revenues</i>	<u>10,328,490</u>	<u>358,173</u>	<u>2,978,957</u>	<u>13,665,620</u>
Expenditures				
Current:				
Instruction:				
Regular	741,643	0	75,186	816,829
Special	215,575	0	0	215,575
Vocational	4,507,643	0	1,707,508	6,215,151
Adult/Continuing	0	0	356,490	356,490
Support Services:				
Pupils	409,830	0	154,531	564,361
Instructional Staff	1,011,426	0	113,773	1,125,199
Board of Education	66,209	0	0	66,209
Administration	656,580	0	630,667	1,287,247
Fiscal	331,141	6,121	0	337,262
Business	56,814	0	422	57,236
Operation and Maintenance of Plant	1,136,554	0	0	1,136,554
Pupil Transportation	14,581	0	0	14,581
Central	15,529	0	8,701	24,230
Extracurricular Activities	0	0	22,818	22,818
Operation of Non-Instructional Services:				
Food Service Operations	0	0	232,417	232,417
Other Non-Instructional Services	42	0	0	42
Capital Outlay	0	578,873	0	578,873
<i>Total Expenditures</i>	<u>9,163,567</u>	<u>584,994</u>	<u>3,302,513</u>	<u>13,051,074</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,164,923</u>	<u>(226,821)</u>	<u>(323,556)</u>	<u>614,546</u>
Other Financing Sources (Uses)				
Transfers In	0	768,000	60,000	828,000
Transfers Out	(828,000)	0	0	(828,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(828,000)</u>	<u>768,000</u>	<u>60,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	336,923	541,179	(263,556)	614,546
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>5,736,492</u>	<u>3,193,633</u>	<u>727,142</u>	<u>9,657,267</u>
<i>Fund Balances End of Year</i>	<u>\$6,073,415</u>	<u>\$3,734,812</u>	<u>\$463,586</u>	<u>\$10,271,813</u>

See accompanying notes to the basic financial statements.

Ashtabula County Joint Vocational School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006*

Net Change in Fund Balances -Total Governmental Funds \$614,546

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

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

Capital Asset Additions	922,803
Current Year Depreciation	<u>(325,696)</u>

Total	597,107
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Governmental Funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (20,651)

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

Property Taxes	(3,713)
Grants	(45,699)
Rentals	5,975
Charges for Services	20,521
Tuition	<u>139,993</u>

Total	117,077
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (42,659)

Change in Net Assets of Governmental Activities \$1,265,420

See accompanying notes to the basic financial statements.

Ashtabula County Joint Vocational School District

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund*

For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$4,017,413	\$4,060,000	\$4,141,286	\$81,286
Intergovernmental	5,285,896	5,469,973	5,448,881	(21,092)
Interest	350,584	320,000	361,394	41,394
Tuition and Fees	29,365	40,000	30,270	(9,730)
Rentals	19,016	20,000	19,602	(398)
Miscellaneous	190,099	188,275	195,961	7,686
<i>Total Revenues</i>	<u>9,892,373</u>	<u>10,098,248</u>	<u>10,197,394</u>	<u>99,146</u>
Expenditures				
Current:				
Instruction:				
Regular	821,170	829,876	754,813	75,063
Special	224,713	227,645	219,529	8,116
Vocational	5,640,441	5,708,926	5,297,320	411,606
Support Services:				
Pupils	432,733	438,368	403,484	34,884
Instructional Staff	1,071,457	1,085,321	1,041,066	44,255
Board of Education	118,529	119,910	78,552	41,358
Administration	719,018	728,205	669,561	58,644
Fiscal	340,507	344,931	338,520	6,411
Business	64,497	65,330	56,941	8,389
Operation and Maintenance of Plant	1,263,765	1,279,112	1,205,690	73,422
Pupil Transportation	39,499	40,003	15,113	24,890
Central	20,271	20,535	15,529	5,006
Operation of Non-Instructional Services:				
Other Non-Instructional Services	360	365	42	323
<i>Total Expenditures</i>	<u>10,756,960</u>	<u>10,888,527</u>	<u>10,096,160</u>	<u>792,367</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(864,587)</u>	<u>(790,279)</u>	<u>101,234</u>	<u>891,513</u>
Other Financing Sources (Uses)				
Advances In	0	150,000	117,827	(32,173)
Advances Out	0	(265,000)	(192,370)	72,630
Transfers Out	0	(849,433)	(828,000)	21,433
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(964,433)</u>	<u>(902,543)</u>	<u>61,890</u>
<i>Net Change in Fund Balance</i>	<u>(864,587)</u>	<u>(1,754,712)</u>	<u>(801,309)</u>	<u>953,403</u>
<i>Fund Balance Beginning of Year</i>	<u>4,585,786</u>	<u>4,585,786</u>	<u>4,585,786</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>431,920</u>	<u>431,920</u>	<u>431,920</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$4,153,119</u>	<u>\$3,262,994</u>	<u>\$4,216,397</u>	<u>\$953,403</u>

See accompanying notes to the basic financial statements.

Ashtabula County Joint Vocational School District

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2006

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$30,973</u>
Liabilities	
Due to Students	<u>\$30,973</u>

See accompanying notes to the basic financial statements.

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Note 1 - Description of the School District

Ashtabula County Joint Vocational School District (the "School District") is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The School District operates under a seven member Board of Education. Membership is comprised of Board Members from the following school districts: Ashtabula Area City (2 representatives), Ashtabula County Educational Service Center (3 representatives), Conneaut Area City (1 representative), and Geneva Area City (1 representative). The School District provides job training leading to employment upon graduation from high school. The School District fosters cooperative relationships with business and industry, professional organizations, participating school districts, and other interested, concerned groups and organizations to consider, plan and implement education programs designed to meet the common needs and interests of students.

The School District was established in 1965 through the consolidation of existing land areas and school districts. The School District serves Ashtabula County and parts of Geauga and Trumbull Counties. It is located in Ashtabula County. It is staffed by 32 non-certified employees and 88 certified full-time teaching personnel who provide services to 2,263 students and other community members. The School District currently operates five instructional buildings and a bus garage.

Reporting Entity

The reporting entity for the School District is comprised of all funds, departments, agencies and offices that are not legally separate from the School District, component units and other organizations that are included to ensure that the basic financial statements are not misleading. For Ashtabula County Joint Vocational School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

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

The School District is associated with a jointly governed organization, an insurance purchasing pool and a shared risk pool. These organizations are the Northeast Ohio Management Information Network, the Ohio School Boards' Association Workers' Compensation Group Rating Program and the Ashtabula County Schools Council of Governments, which are presented in Notes 16 and 18 to the basic financial statements.

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities.

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

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

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

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District had no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

C. Measurement Focus

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

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

D. Basis of Accounting

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

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

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

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

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

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

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

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

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

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the special cost center

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

for all funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds without resolution by the Board of Education.

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

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

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2006, investments were limited to repurchase agreements which are reported at cost.

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 2006 amounted to \$410,986, which includes \$193,003 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

G. Inventory

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

H. Capital Assets

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

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

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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:

Description	Governmental Activities Estimated Lives
Land Improvements	5 years
Buildings and Improvements	10 to 50 years
Furniture, Equipment and Fixtures	15 to 20 years
Vehicles	10 to 20 years
Textbooks	15 years

I. 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 activities column of the statement of net assets.

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of teaching and 5 years of service at the School District.

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.

K. Accrued Liabilities and Long-term Obligations

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

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$4,348,392, none of which is restricted by enabling legislation. Net assets restricted for other purposes include food service operations and extracurricular activities.

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

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation.

N. Interfund Activity

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

O. Extraordinary and Special Items

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

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

P. Estimates

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

Note 3 - Changes in Accounting Principles and Restatement of Prior Year's Balances

A. Changes in Accounting Principles

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

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

GASB Statement No. 47 establishes standards of accounting and financial reporting for termination benefits.

The implementation of GASB Statement No. 42 and GASB Statement No. 47 did not materially affect the presentation of the financial statements of the School District.

B. Restatement of Prior Year's Balances

During 2006, the School District determined that accounts receivable and intergovernmental payables were overstated in governmental funds and that several funds should be reclassified. The adjustment had the following effect on fund balance as previously reported.

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Fund Balance as Previously Reported	\$5,732,527	\$3,193,633	\$781,326	\$9,707,486
Accounts Receivable	0	0	(330,084)	(330,084)
Intergovernmental Payable	0	0	146	146
Fund Reclassification	3,965	0	275,754	279,719
Restated Balance June 30, 2005	<u>\$5,736,492</u>	<u>\$3,193,633</u>	<u>\$727,142</u>	<u>\$9,657,267</u>

During 2006, it was determined that, in addition to the restatements for fund reclassifications, accounts receivable and intergovernmental payables, accrued interest receivable and capital leases payable were overstated in the financial statements at June 30, 2005. These restatements had the following effect on net assets as they were previously reported.

Ashtabula County Joint Vocational School District

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

	Governmental Activities
Net Assets, June 30, 2005	\$12,910,617
Accounts Receivable	(330,084)
Intergovernmental Payables	146
Fund Reclassification	274,772
Accrued Interest Receivable	(37,409)
Capital Leases Payable	6,673
Adjusted Net Assets, June 30, 2005	<u>\$12,824,715</u>

Adult education enterprise fund net assets were restated from \$270,807 to \$0 at June 30, 2005, due to fund reclassification.

Total assets and liabilities in the agency funds were restated as of June 30, 2005 from \$32,053 to \$26,832, a difference of \$5,221. This restatement was the result of a fund reclassification and an overstatement in accounts receivable and accounts payable.

Note 4 – Accountability

At June 30, 2006, the other local grants special revenue fund had a fund deficit of \$47,847. This deficit is caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in the funds and provides operating transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures 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).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Ashtabula County Joint Vocational School District

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

Net Change in Fund Balance

GAAP Basis	\$336,923
Net Adjustment for Revenue Accruals	(131,096)
Advances In	117,827
Net Adjustment for Expenditure Accruals	(46,553)
Advances Out	(192,370)
Encumbrances	<u>(886,040)</u>
Budget Basis	<u><u>(\$801,309)</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
 6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
 7. The State Treasurer's investment pool (STAROhio);
 8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$9,440,949 of the School District's bank balance of \$9,684,569 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2006, the School District had an investment in repurchase agreements with carrying values of \$237,596 and fair values of \$250,254, and a maturity of July 1, 2006. All investments are in an internal investment pool.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments. The securities underlying the repurchase agreements are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that requires securities purchased pursuant to this division shall be delivered into the custody of the treasurer or governing board or an agent designated by the treasurer or governing board.

Ashtabula County Joint Vocational School District

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

Credit Risk The securities underlying the repurchase agreement had a credit rating of AAA by Standard & Poor's. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. All of the School District's investments were in repurchase agreements as of June 30, 2006.

Note 7 - Property Taxes

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

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

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

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

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

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

The amount available as an advance at June 30, 2006 was \$1,485,216 in the general fund and \$111,617 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2005 was \$1,342,171 in the general fund and \$106,930 in the permanent improvement capital projects fund.

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

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

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$1,417,788,540	81.90 %	\$1,577,750,870	83.45 %
Public Utility Personal	112,489,690	6.50	105,325,760	5.57
Tangible Personal Property	<u>200,781,900</u>	<u>11.60</u>	<u>207,608,020</u>	<u>10.98</u>
Total	<u>\$1,731,060,130</u>	<u>100.00 %</u>	<u>\$1,890,684,650</u>	<u>100.00 %</u>
Full Tax Rate per \$1,000 of Assessed Valuation	\$4.11		\$4.11	

Note 8 - Receivables

Receivables at June 30, 2006, consisted of taxes, accounts (rent, student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Vocational Education - Carl D. Perkins	\$132,730
Adult Education	20,000
Food Service	12,081
Title V	3,149
Title II-A	<u>2,047</u>
<i>Total Intergovernmental Receivables</i>	<u><u>\$170,007</u></u>

Note 9 – Capital Assets

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

Governmental Activities	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/06</u>
<i>Capital Assets not being Depreciated:</i>				
Land	\$153,226	\$0	\$0	\$153,226
<i>Capital Assets being Depreciated:</i>				
Land Improvements	168,055	0	0	168,055
Buildings and Improvements	4,894,804	136,197	0	5,031,001
Furniture, Equipment and Fixtures	2,921,456	696,975	(92,177)	3,526,254
Vehicles	237,867	89,631	(36,686)	290,812
Textbooks	83,567	0	0	83,567
<i>Total Capital Assets being Depreciated</i>	<u>8,305,749</u>	<u>922,803</u>	<u>(128,863)</u>	<u>9,099,689</u>
Less Accumulated Depreciation:				
Land Improvements	(164,276)	(77)	0	(164,353)
Buildings and Improvements	(2,833,371)	(103,105)	0	(2,936,476)
Furniture, Equipment and Fixtures	(1,849,933)	(200,012)	86,168	(1,963,777)
Vehicles	(107,413)	(22,187)	22,044	(107,556)
Textbooks	(13,671)	(315)	0	(13,986)
<i>Total Accumulated Depreciation</i>	<u>(4,968,664)</u>	<u>(325,696) *</u>	<u>108,212</u>	<u>(5,186,148)</u>
<i>Total Assets being Depreciated, Net</i>	<u>3,337,085</u>	<u>597,107</u>	<u>(20,651)</u>	<u>3,913,541</u>
<i>Governmental Activities Capital Assets, Net</i>	<u><u>\$3,490,311</u></u>	<u><u>\$597,107</u></u>	<u><u>(\$20,651)</u></u>	<u><u>\$4,066,767</u></u>

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$10,267
Special	3,990
Vocational	227,126
Adult/Continuing	2,726
Support Services:	
Pupils	1,630
Instructional Staff	12,799
Administration	15,440
Fiscal	339
Business	806
Operation and Maintenance of Plant	34,956
Pupil Transportation	4,240
Central	5,983
Operation of Non-Instructional Services:	
Food Service Operations	5,394
Total Depreciation Expense	<u><u>\$325,696</u></u>

Note 10 - Interfund Transactions

A. Interfund Transfers

The transfer from the general fund for \$60,000 to the food service special revenue fund was to cover operating costs. The transfer from the general fund for \$768,000 to the permanent improvement capital projects fund was to set aside funds for a future building project.

B. Interfund Balance

	<u>Interfund</u> <u>Receivable</u>
	<u>General</u>
Nonmajor Funds:	
Adult Education	\$50,000
Other Local Grants	212,689
Vocational Education - Carl D. Perkins	101,558
Title V	4,856
Title II-A	3,664
Total All Funds	<u><u>\$372,767</u></u>

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

The interfund receivables and payables were due to the timing of the receipt of grant monies received by the various funds. The general fund provides temporary funding of the program until the grant dollars are received. All interfund receivables will be received within one year.

Note 11 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted with Ohio School Plan for various types of insurance. Coverage is as follows:

Coverage	Amount
Blanket Building and Contents (\$1,000 Deductible)	\$23,328,964
Fleet Insurance	1,000,000
General Liability - per Occurrence	1,000,000
Aggregate	3,000,000
Umbrella Liability	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

B. Employee Medical Benefits

The School District participates in the Ashtabula County Schools Council of Governments, a shared risk pool (Note 18) to provide employee medical/surgical, prescription drug, dental and vision benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. The School District's Board of Education pays the entire cost of a monthly premium for all full-time employees.

C. Worker's Compensation

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

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

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Note 12 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$124,709, \$211,251, and \$184,350, respectively; 100 percent has been contributed for fiscal years 2006, 2005 and 2004.

B. State Teachers Retirement System

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

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 divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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 of 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

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$685,565, \$693,414, and \$650,788, respectively; 95.17 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$314 made by the School District and \$7,727 made by the plan members.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2006, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

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

STRS retirees from the DB and Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$52,736 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

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

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$58,018.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

Note 14 – Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Each employee is entitled to fifteen (15) days sick leave with pay each year under contract and accrues sick leave at the rate of one and one-fourth (1-1/4) days for each calendar month under contract. Sick leave may be accumulated to a maximum based upon negotiated agreements. Certified staff accumulate sick leave to a maximum of 325 days; severance pay is based upon an incremental scale up to a maximum of 80 days. Classified staff who are members of the teamsters union accumulate sick leave to a maximum of 220 days; severance is paid up to a maximum of 64 days. Classified secretaries who are members of the ACJVS Secretaries Association accumulate sick leave to a maximum of 255 days; severance is paid for one-quarter of accumulated up to a maximum of 67 days. Non-union school employees of the School District who served at least 10 years in any political subdivision at the time of their retirement shall receive pay for one-quarter of their unused sick leave to a maximum of 120 days or payment of 30 days. Employees who have 10 years of service and have accumulated more than 120 days, shall be paid for one-tenth of their unused sick leave to a maximum of 70 days or payment of 7 days pay.

Classified employees earn ten (10) to twenty (20) days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Non-union classified staff, teamsters and secretaries receive an additional day of vacation for each year beyond 19 years of service. Administrative personnel earn 20 to 25 days of vacation leave annually.

B. Insurance

Life insurance is offered to employees through EELIT (Educational Employees Life Insurance Trust) Company. Certified and classified employees are covered as follows:

- \$25,000 for Teamsters Union and Secretaries Association employees at \$4.00 per month;
- \$30,000 for Administration, Non-union employees and Teachers at \$4.80 per month.

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

C. Health Insurance Benefits

The School District provides employee medical and surgical insurance, prescription drug, dental, and vision insurance through the Ashtabula County Schools Council of Governments.

Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2006 were as follows:

	Balance 6/30/05	Additions	Deductions	Balance 6/30/06	Amounts Due in One Year
Governmental Activities					
Compensated Absences	\$763,000	\$353,899	\$311,240	\$805,659	\$155,801

Compensated absences will be paid from the general fund and the food service, adult education, other local grants and LPN program special revenue funds.

Note 16 - Jointly Governed Organization

Northeast Ohio Management Information Network (NEOMIN) – The North East Ohio Management Information Network (NEOMIN) is a jointly governed organization among 30 school districts in Trumbull and Ashtabula Counties. 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 among member Service Centers. Each of the districts supports NEOMIN based upon a per pupil charge. The School District paid \$16,920 to NEOMIN during fiscal year 2006.

The Governing Board consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The degree of control exercised by a participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN’s financial statements, write to the Trumbull Career and Technical Center, 528 Educational Highway, Warren, Ohio 44483.

Note 17 - Contingencies

A. Grants

The School District receives 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 adverse effect on the overall financial position of the School District at June 30, 2006.

Ashtabula County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

B. Litigation

As of June 30, 2006, the School District was not party to any legal proceedings.

Note 18 – Public Entity Risk Pools

A. Insurance Purchasing Pool

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

B. Risk Sharing Pool

The School District has contracted with the Ashtabula County Schools Council of Governments to provide employee medical/surgical, prescription drug, dental and vision benefits. The Ashtabula County Schools Council of Governments is organized under Chapter 167 of the Ohio Revised Code and is comprised of seven Ashtabula County school districts. Rates are set by the Ashtabula County Schools Council of Governments board of directors. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. Ashtabula County Schools Council of Governments is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council of Governments. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the School District. The School District is not liable nor receive a cash balance of past claims upon departure from the pool.

Note 19 - Set-Aside Calculations

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

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

Ashtabula County Joint Vocational School District

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set -aside Cash Balance as of June 30, 2005	(\$815,140)	\$0
Current Year Set-aside Requirement	108,462	108,462
Current Year Offsets	0	(353,486)
Qualifying Expenditures	<u>(700,147)</u>	<u>0</u>
Totals	<u>(\$1,406,825)</u>	<u>(\$245,024)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$1,406,825)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2006	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirements in future fiscal years.

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero. The negative set-aside balance for the capital improvements may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years.

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ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF EDUCATION/</u>						
<i>Direct Programs:</i>						
Student Financial Assistance Cluster:						
Federal Family Education Loan Program		84.032	\$356,657		\$356,657	
Pell Grants		84.063	285,641		285,641	
Total - U.S. Department of Education - Student Financial Assistance Cluster			642,298		642,298	
<u>U.S. DEPARTMENT OF AGRICULTURE/</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	n/a	10.550		\$4,700		\$4,700
National School Lunch Program	LL-P4-05	10.555	19,949		19,949	
	LL-P4-06		36,200		36,200	
Sub-Total National Lunch Program			56,149		56,149	
Total U.S. Department of Agriculture - Nutrition Cluster			56,149	4,700	56,149	4,700
<u>U.S. DEPARTMENT OF EDUCATION/</u>						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education- State Grant Program	AB-SL-05	84.002	(5,044)		534	
	AB-SL-05c		5,044		5,044	
	AB-S1-05		14,067		14,067	
	AB-S1-06		106,116		106,116	
	AB-SL-06		17,916		17,916	
Sub-Total - Adult Education - State Grant Program			138,099		143,677	
Vocational Education-Basic Grants to States	20C1-2005	84.048	102,211		102,211	
	20C1-2006		362,802		362,802	
Sub-Total - Vocational Education-Basic Grants to States			465,013		465,013	
Safe and Drug-Free Schools and Communities-State Grants	DR-S1-05	84.186	(434)			
	DR-S1-06		3,614		3,614	
Sub-Total - Safe and Drug-Free Schools and Communities Grants			3,180		3,614	
Innovative Educational Program Strategies	C2-S1-05	84.298	(316)			
	C2-S1-06		2,246		1,474	
Sub-Total - Innovative Educational Program			1,930		1,474	
Improving Teacher Quality State Grants	TR-S1-05	84.367	3,603			
	TR-S1-06		2,478		2,026	
Sub-Total - Improving Teacher Quality State Grants			6,081		2,026	
Total U. S. Department of Education			614,303		615,804	
Totals			\$1,312,750	\$4,700	\$1,314,251	\$4,700

The accompanying notes to this schedule are an integral part of this schedule.

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

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

NOTE C - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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

Ashtabula County Joint Vocational School District
Ashtabula County
1565 State Route 167
Jefferson, Ohio 44047

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 Ashtabula County Joint Vocational School District, Ashtabula County, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated June 21, 2007, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

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*.

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

This report is intended for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

June 21, 2007



Mary Taylor, CPA

Auditor of State

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

Ashtabula County Joint Vocational School District
Ashtabula County
1565 State Route 167
Jefferson, Ohio 44047

To the Board of Education:

Compliance

We have audited the compliance of Ashtabula County Joint Vocational School District, Ashtabula County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Ashtabula County Joint Vocational School complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

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

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

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www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 21, 2007

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

ASHTABULA 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
NOVEMBER 8, 2007**