

**WAYNE COUNTY JOINT VOCATIONAL
SCHOOL DISTRICT
Wayne County, Ohio**

*Basic Financial Statements
Year Ended June 30, 2006*



Mary Taylor, CPA
Auditor of State

Board of Education
Wayne County Joint Vocational School District
518 W. Prospect Street
Smithville, Ohio 44677

We have reviewed the *Independent Auditor's Report* of the Wayne County Joint Vocational School District, Wayne County, prepared by Rea & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 31, 2007

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**WAYNE COUNTY JOINT VOCATIONAL
SCHOOL DISTRICT
Wayne County, Ohio**

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**WAYNE COUNTY JOINT VOCATIONAL
SCHOOL DISTRICT
Wayne County, Ohio**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 1, 2006

The Board of Education
Wayne County Joint Vocational School District
Smithville, Ohio 44667

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County Joint Vocational School District (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2006, and the respective changes in financial position where applicable thereof, and the respective budgetary comparison for the general fund and the adult education fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2006 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Wayne County Joint Vocational School District
Independent Auditor's Report
Page 2

The Management's Discussion and Analysis on pages 3 through 10 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hea & Associates, Inc.

Wayne County Joint Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

Unaudited

The discussion and analysis of the Wayne County Joint Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review notes to the basic financial statements, and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2006 are as follows:

- General Revenues accounted for \$11.5 million in revenue or 76% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$3.7 million or 24% of total revenues of \$15.2 million.
- Total program expenses were \$13.8 million.
- Net assets of governmental activities increased approximately \$1,345,000 from 2005.
- Outstanding debt decreased from \$21,993 to \$13,195 through the payment of debt principal.

Using this Annual Financial Report

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also highlight the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Wayne County Joint Vocational School District, the general fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial*

Wayne County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is classified into governmental activities. All of the School District's programs and services are reported here, including: instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, permanent improvement fund and adult education fund.

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

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 13.

Notes to the 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 begin on page 21.

Wayne County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Current and Other Assets	\$ 11,763,540	\$ 11,084,059
Capital Assets	2,697,956	1,959,140
Total Assets	14,461,496	13,043,199
Liabilities		
Long-Term Liabilities	869,527	880,921
Other Liabilities	5,021,925	4,937,354
Total Liabilities	5,891,452	5,818,275
Net Assets		
Invested in Capital Assets, Net of Related Debt	2,684,761	1,937,147
Restricted	2,171,190	1,010,084
Unrestricted	3,714,093	4,277,693
Total Net Assets	\$ 8,570,044	\$ 7,224,924

Assets increased by approximately \$1.4 million and liabilities increased approximately \$73,000 resulting in an increase in net assets of \$1.3 million. The primary factor which caused the increase in the current and other assets was due to the increase in cash of approximately \$1.7 million dollars, offset by decrease accounts receivable of approximately \$566,000. Capital assets increased nearly \$600,000 as a result of construction of new telecommunications building.

Wayne 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)
Changes in Net Assets

	Governmental Activities	
	2006	2005
<i>Revenues</i>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,936,745	\$ 2,361,744
Operating Grants	1,766,979	1,469,361
<i>General Revenues:</i>		
Property Taxes	4,708,639	4,223,408
Grants and Entitlements	6,203,940	5,833,326
Gifts and Donations	36,775	27,677
Investments/Earnings	301,720	118,757
Miscellaneous	237,065	642,123
<i>Total Revenues</i>	15,191,863	14,676,396
<i>Program Expenses</i>		
Instruction	8,427,583	8,587,543
Support Services	4,937,026	4,694,615
Operation of Non-Instructional Services	262,105	360,336
Extracurricular Activities	169	1,141
Food Service Operation	219,860	234,187
<i>Total Expenses</i>	13,846,743	13,877,822
Increase (Decrease) in Net Assets	1,345,120	798,574
<i>Net Assets Beginning of Year</i>	7,224,924	6,426,350
<i>Net Assets End of Year</i>	\$ 8,570,044	\$ 7,224,924

Overall revenue increased by approximately \$515,000 or 3.5% over fiscal year 2005. Program expenses decreased slightly from \$13,877,822 in 2005 to \$13,846,743 in 2006. There were no individually significant events that generated these differences as compared to fiscal year 2005.

Wayne County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$15.2 million and expenditures of \$13.8 million.

(Table 3)
Governmental Activities

	2006		2005	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	8,427,583	\$ 5,596,802	\$ 8,587,543	\$ 6,084,623
Support Services:				
Pupils and Instructional Staff	2,029,327	1,413,213	1,870,799	917,961
Board of Education, Administration				
Fiscal and Business	1,423,477	1,423,477	1,566,691	1,559,950
Operation and Maintenance of Plant	1,452,463	1,452,463	1,138,712	1,105,294
Pupil Transportation and Central	31,759	31,759	118,413	118,413
Operation of Non-Instructional Services	262,105	262,105	360,336	360,336
Food Service Operation	219,860	(36,969)	234,187	(1,001)
Extracurricular Activities	169	169	1,141	1,141
Total	\$ 13,846,743	\$ 10,143,019	\$ 13,877,822	\$ 10,146,717

Total cost of service for 2006 decreased .22% over 2005. Instruction and student support services comprise 97% of governmental program expenses.

The reliance of local tax and other general revenues for governmental activities is crucial. Over 73% of expenses are directly supported by these resources. Of these revenues, 41% is from property taxes, 54% from grants and entitlements not restricted to specific programs with investment and other miscellaneous revenues supporting the remaining activity costs.

While community support of the School District is crucial to the operation of the School District, Grants and Entitlements provide a greater percentage of revenue for governmental activities. The greatest amount generated by Grants and Entitlements is income from the School Foundation Program. School Foundation income is determined by the number of students attending the School District.

Wayne County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

School District's Funds

Information regarding the School District's major funds can be found in the Notes to the Basic Financial Statements, Summary of Significant Accounting Policies. These funds are accounted for using the modified accrual basis of accounting. All government funds had total revenues of \$15,232,250 and expenditures of \$14,582,112

The net change in fund balance in the general fund was (\$617,857). The decrease was primarily due to a large transfer of approximately \$1.7 million from the general fund to the permanent improvement fund to help with construction costs for the new telecommunications building.

The net change in fund balance in the permanent improvement fund was \$979,552. The increase in capital outlay is due to the construction of a new telecommunications building.

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, there were minor changes to the School District general fund budget. The School District bases its budgets according to needs of programs and functions. Supervisors of departments are responsible to oversee budgets and control spending. This provides for flexibility in spending between programs each school year.

For the general fund, budget basis revenue of \$11.4 million, was over final budget estimates of \$10.4 million. Of this nearly \$1,000,000 increase, most was attributable to revenues generated through the State Foundation Program based on increased enrollment in the day school.

Final appropriations of \$11.1 million were approximately \$600,000 greater than actual expenditures of the \$10.4 million. This net favorable variance was mainly the result of spending less than estimated in salaries and benefits. Employees retiring or resigning were replaced with employees earning less and, in some cases, positions were not filled. Also extended time granted to teaching employees was reduced in fiscal year 2006.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$2.7 million invested in land, construction in progress, buildings, furniture, equipment and vehicles. Table 4 shows fiscal year 2006 balances compared with 2005. See Note 8 for additional information on capital assets.

Wayne County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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

	Governmental Activities	
	2006	2005
Land	\$ 354,000	\$ 354,000
Construction in Progress	586,528	0
Land Improvements	49,101	53,866
Buildings and Improvements	854,476	900,122
Furniture and Equipment	792,340	642,586
Vehicles	61,511	8,566
Totals	\$ 2,697,956	\$ 1,959,140

The primary factor which caused the increase in capital assets was attributable to construction of a new telecommunications building. Construction of a new telecommunication building, containing four student labs, began during fiscal year 2006 and will be part of the overall Ohio School Facilities Project.

Ohio law requires school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2006, this amounted to \$126,466 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks (including instructional materials). Therefore, there is no need to carry over any amounts into the next school year to meet the requirements of law.

Debt

At June 30, 2006, the School District had \$13,195 in debt outstanding with \$8,798 due within one year.

(Table 5)
Outstanding Debt at June 30

	Governmental Activities 2006	Governmental Activities 2005
Loans Payable:		
1991 Food Processing Building Loan	\$ 13,195	\$ 21,993

The Food Processing Building Loan was granted as a 15 year interest free loan from the State of Ohio to equip and construct a building to house a Food Processing Vocational Program. Due to low enrollment, the Food Processing Building was converted to a Culinary Arts Program Building in 2002. See Note 10 for additional information on outstanding long-term obligations of the School District.

Wayne County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

School District Outlook

The Wayne County Joint Vocational School District will continue to have a positive financial outlook for the next few years as long as enrollment in the day school does not substantially decrease and funding from state and federal sources continues at or near current amounts.

As with any school district, the financial future of the School District is not without its challenges. Increases in expenses, especially in the area of salaries and benefits, are projected to continue and revenues are expected to remain at approximately the same levels. With this forecast in mind, the School District expects to place a new levy on the ballot in November 2007.

The community opinion of the School District is very strong and property taxpayers are willing to support its operation. However, the School District covers all of Wayne County and parts of four other counties with a voter base of over 60,000 voters. To convince a majority of these voters to support a new levy will take much work and the School District as a whole must continue to produce a solid education for all of its students, high school and adult.

The financial outlook for the School District is best summarized in the last paragraph of the Assumptions to the Five Year Forecast:

We believe that good management of our resources has allowed the school district to build a carry over in the General Fund of approximately \$4 million at the end of fiscal year 2006 without a new levy since 1987. Management will continue to carefully monitor funds available and spending to provide outstanding opportunities for our students while keeping costs within approved appropriations. A deficit balance is forecasted in the fiscal year 2011 School Year and an operating levy may be needed prior to that fiscal year to avoid a deficit. Increased state and/or local funding may delay this need and likewise decreased state and/or funding may accelerate the need. This Five Year Forecast does not include new monies or additional expenditures due to the Ohio School Facilities Project. Proceeds (if the levy passes) from the November 2007 one half mill levy and expenditures will be separate from the General Fund and accounted for in the Permanent Improvement Fund.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jeffrey T. Slutz, Treasurer of Wayne County Joint Vocational School District, 518 West Prospect St., Smithville, Ohio 44677. Or e-mail at WCCC_SLUTZ@tccsa.net.

Wayne County Joint Vocational School District
Statement of Net Assets
June 30, 2006

	Governmental Activities
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 7,668,610
Materials and Supplies Inventory	35,079
Accrued Interest Receivable	33,929
Accounts Receivable	202,754
Intergovernmental Receivable	143,140
Taxes Receivable	3,680,028
Land	354,000
Construction in Progress	586,528
Depreciable Capital Assets, net	1,757,428
<i>Total Assets</i>	14,461,496
LIABILITIES:	
Accounts Payable	94,298
Accrued Wages and Benefits	941,609
Contracts Payable	499,208
Intergovernmental Payable	205,936
Accrued Vacation Leave Payable	87,969
Early Retirement Incentive Payable	17,855
Unearned Revenue	3,175,050
Long-Term Liabilities:	
Due Within One Year	34,050
Due in More Than One Year	835,477
	869,527
<i>Total Liabilities</i>	5,891,452
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	2,684,761
Restricted for Capital Outlay	1,934,907
Restricted for Other Purposes	236,283
Unrestricted	3,714,093
<i>Total Net Assets</i>	\$ 8,570,044

See accompanying notes to basic financial statements.

Wayne County Joint Vocational School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues			Net (Expenses) Revenue and in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 1,649,882	\$ 159,488	\$ 134,568	\$ (1,355,826)
Special	1,417	0	532	(885)
Vocational	6,495,894	1,272,720	497,386	(4,725,788)
Adult/Continuing	280,390	348,152	417,935	485,697
Support Services:				
Pupils	567,591	0	535,384	(32,207)
Instructional Staff	1,461,736	0	80,730	(1,381,006)
Board of Education	38,886	0	0	(38,886)
Administration	1,022,206	0	0	(1,022,206)
Fiscal	362,385	0	0	(362,385)
Business	0	0	0	0
Operation and Maintenance of Plant	1,452,463	0	0	(1,452,463)
Pupil Transportation	0	0	0	0
Central	31,759	0	0	(31,759)
Operation of Non-Instructional Services	262,105	0	0	(262,105)
Food Service Operation	219,860	156,385	100,444	36,969
Extracurricular Activities	169	0	0	(169)
<i>Total Governmental Activities</i>	<u>\$ 13,846,743</u>	<u>\$ 1,936,745</u>	<u>\$ 1,766,979</u>	<u>(10,143,019)</u>
General Revenues:				
Property Taxes, Levied for General Purposes				4,708,639
Grants and Entitlements not Restricted to Specific Programs				6,203,940
Gifts and Donations				36,775
Investment Earnings				301,720
Miscellaneous				237,065
<i>Total General Revenues</i>				<u>11,488,139</u>
<i>Change in Net Assets</i>				1,345,120
<i>Net Assets Beginning of Year</i>				<u>7,224,924</u>
<i>Net Assets End of Year</i>				<u>\$ 8,570,044</u>

See accompanying notes to basic financial statements.

Wayne County Joint Vocational School District
Balance Sheet
Governmental Funds
June 30, 2006

	<u>General</u>	<u>Permanent Improvements</u>	<u>Adult Education</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 4,318,855	\$ 2,434,115	\$ 242,837	\$ 672,803	\$ 7,668,610
Taxes Receivable	3,680,028	0	0	0	3,680,028
Intergovernmental Receivable	0	0	0	143,140	143,140
Accrued Interest Receivable	33,929	0	0	0	33,929
Accounts Receivable	854	0	175,606	26,294	202,754
Interfund Receivable	299,964	0	0	0	299,964
Materials and Supplies Inventory	24,953	0	6,183	3,943	35,079
<i>Total Assets</i>	<u>\$ 8,358,583</u>	<u>\$ 2,434,115</u>	<u>\$ 424,626</u>	<u>\$ 846,180</u>	<u>\$ 12,063,504</u>
LIABILITIES:					
Accounts Payable	73,106	0	13,962	7,230	94,298
Accrued Wages and Benefits	808,348	0	87,684	45,577	941,609
Contracts Payable	0	499,208	0	0	499,208
Interfund Payable	0	0	143,500	156,464	299,964
Intergovernmental Payable	162,145	0	26,759	17,032	205,936
Early Retirement Incentive Payable	0	0	0	17,855	17,855
Deferred Revenue	3,420,479	0	0	103,527	3,524,006
<i>Total Liabilities</i>	4,464,078	499,208	271,905	347,685	5,582,876
FUND BALANCES:					
Reserved:					
Reserved for Encumbrances	224,322	1,697,178	58,139	4,982	1,984,621
Reserved for Inventory	24,953	0	6,183	3,943	35,079
Reserved for Property Taxes	259,549	0	0	0	259,549
Unreserved, Undesignated, Reported in:					
General Fund	3,385,681	0	0	0	3,385,681
Special Revenue Funds	0	0	88,399	489,570	577,969
Capital Projects Funds	0	237,729	0	0	237,729
<i>Total Fund Balances</i>	<u>3,894,505</u>	<u>1,934,907</u>	<u>152,721</u>	<u>498,495</u>	<u>6,480,628</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 8,358,583</u>	<u>\$ 2,434,115</u>	<u>\$ 424,626</u>	<u>\$ 846,180</u>	<u>\$ 12,063,504</u>

See accompanying notes to basic financial statements.

Wayne County Joint Vocational School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2006*

Total Governmental Fund Balances		\$ 6,480,628
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,697,956
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 103,527	
Delinquent Property Taxes	245,429	348,956
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Accrued Vacation Leave Payable		(87,969)
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Loans Payable	(13,195)	
Early Retirement Incentive Payable	(17,855)	
Compensated Absences	(838,477)	(869,527)
Net Assets of Governmental Activities		\$ 8,570,044

See accompanying notes to basic financial statements.

Wayne 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	Adult Education	All Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 4,703,163	\$ 0	\$ 0	\$ 0	\$ 4,703,163
Intergovernmental	6,203,940	0	464,346	1,347,964	8,016,250
Interest	301,610	0	0	110	301,720
Tuition and Fees	0	0	1,192,256	160,020	1,352,276
Rent	115	0	0	0	115
Gifts and Donations	6,436	0	0	30,339	36,775
Customer Sales and Services	111,411	0	348,152	342,388	801,951
Miscellaneous	0	20,000	0	0	20,000
<i>Total Revenues</i>	11,326,675	20,000	2,004,754	1,880,821	15,232,250
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,546,033	0	0	92,911	1,638,944
Special	0	0	0	1,417	1,417
Vocational	4,985,806	0	1,402,288	219,890	6,607,984
Adult/Continuing	0	0	0	296,645	296,645
Support Services:					
Pupils	349,645	0	0	221,989	571,634
Instructional Staff	738,323	0	548,982	145,935	1,433,240
Board of Education	38,886	0	0	0	38,886
Administration	944,401	0	0	74,469	1,018,870
Fiscal	375,351	0	700	1,800	377,851
Operation and Maintenance of Plant	1,195,310	19,023	42,542	10,665	1,267,540
Pupil Transportation	18,979	0	20,964	7,918	47,861
Central	0	0	0	31,759	31,759
Operation of Non-Instructional Services	0	0	5,735	251,584	257,319
Food Service Operations	0	0	0	219,860	219,860
Extracurricular Activities	0	0	0	169	169
Capital Outlay	8,000	746,425	0	8,910	763,335
Debt Service:					
Principal	0	0	0	8,798	8,798
<i>Total Expenditures</i>	10,200,734	765,448	2,021,211	1,594,719	14,582,112
<i>Excess (deficiency) of Revenues Over (Under) Expenditures</i>	1,125,941	(745,448)	(16,457)	286,102	650,138
OTHER FINANCING SOURCES AND (USES):					
Transfers In	0	1,725,000	0	18,798	1,743,798
Transfers Out	(1,743,798)	0	0	0	(1,743,798)
<i>Total Other Financing Sources and (Uses)</i>	(1,743,798)	1,725,000	0	18,798	0
<i>Net Change in Fund Balances</i>	(617,857)	979,552	(16,457)	304,900	650,138
<i>Fund Balance at Beginning of Year</i>	4,512,362	955,355	169,178	193,595	5,830,490
<i>Fund Balance at End of Year</i>	\$ 3,894,505	\$ 1,934,907	\$ 152,721	\$ 498,495	\$ 6,480,628

See accompanying notes to basic financial statements.

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

Net Change in Fund Balances - Total Governmental Funds	\$	650,138
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 976,380	
Current Year Depreciation	<u>(237,565)</u>	738,815
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	(45,863)	
Delinquent Property Taxes	<u>5,476</u>	(40,387)
 Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Loan Principal		8,798
 Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	20,451	
Vacation Payable	(14,840)	
Early Retirement Incentive Payable	<u>(17,855)</u>	<u>(12,244)</u>
 Change in Net Assets of Governmental Activities	 <u>\$</u>	 <u>1,345,120</u>

See accompanying notes to basic financial statements.

Wayne 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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
REVENUES:				
Property and Other Local Taxes	\$ 4,490,530	\$ 4,490,530	\$ 4,754,716	\$ 264,186
Intergovernmental	5,780,000	5,780,000	6,203,940	423,940
Interest	75,000	75,000	300,637	225,637
Rent	0	0	115	115
Gifts and Donations	0	0	6,436	6,436
Customer Sales and Services	25,000	25,000	129,130	104,130
Miscellaneous	75,000	50,000	1,431	(48,569)
Total Revenues	<u>10,445,530</u>	<u>10,420,530</u>	<u>11,396,405</u>	<u>975,875</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,473,826	1,536,586	1,508,570	28,016
Vocational	5,295,237	5,565,377	5,141,209	424,168
Support Services:				
Pupils	352,023	363,023	347,495	15,528
Instructional Staff	689,075	769,075	743,645	25,430
Board of Education	43,500	47,500	38,739	8,761
Administration	913,101	1,004,101	964,897	39,204
Fiscal	420,700	438,700	414,283	24,417
Operation and Maintenance of Plant	1,207,525	1,320,625	1,260,035	60,590
Pupil Transportation	42,000	27,000	22,504	4,496
Capital Outlay	200,000	25,000	8,000	17,000
Total Expenditures	<u>10,636,987</u>	<u>11,096,987</u>	<u>10,449,377</u>	<u>647,610</u>
Excess of Revenues Over (Under) Expenditures	(191,457)	(676,457)	947,028	1,623,485
OTHER FINANCING SOURCES AND (USES):				
Advances In	20,000	20,000	180,946	160,946
Transfers Out	(50,000)	(1,745,000)	(1,743,798)	1,202
Advances Out	(20,000)	(300,000)	(299,964)	36
Total Other Financing Sources and (Uses)	<u>(50,000)</u>	<u>(2,025,000)</u>	<u>(1,862,816)</u>	<u>162,184</u>
Net Change in Fund Balances	(241,457)	(2,701,457)	(915,788)	1,785,669
Fund Balance (Deficit) at Beginning of Year	4,843,581	4,843,581	4,843,581	0
Prior Year Encumbrances Appropriated	103,487	103,487	103,487	0
Fund Balance (Deficit) at End of Year	<u>\$ 4,705,611</u>	<u>\$ 2,245,611</u>	<u>\$ 4,031,280</u>	<u>\$ 1,785,669</u>

See accompanying notes to basic financial statements.

Wayne County Joint Vocational School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Adult Education Fund
For the Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES:				
Intergovernmental	\$ 475,000	\$ 470,000	\$ 464,346	\$ (5,654)
Tuition and Fees	1,170,000	1,107,500	1,135,744	28,244
Customer Sales and Services	460,000	465,000	348,152	(116,848)
Total Revenues	<u>2,105,000</u>	<u>2,042,500</u>	<u>1,948,242</u>	<u>(94,258)</u>
EXPENDITURES:				
Current:				
Instruction:				
Vocational	1,759,834	1,567,120	1,523,147	43,973
Support Services:				
Instructional Staff	497,211	623,257	554,656	68,601
Fiscal	6,500	2,700	700	2,000
Operation and Maintenance of Plant	41,480	45,200	42,542	2,658
Pupil Transportation	24,500	29,255	26,214	3,041
Operation of Non-Instructional Services	10,400	8,393	7,660	733
Total Expenditures	<u>2,339,925</u>	<u>2,275,925</u>	<u>2,154,919</u>	<u>121,006</u>
Excess of Revenues Over (Under) Expenditures	(234,925)	(233,425)	(206,677)	26,748
OTHER FINANCING SOURCES AND (USES):				
Advances In	0	0	143,500	143,500
Net Change in Fund Balances	(234,925)	(233,425)	(63,177)	170,248
Fund Balance (Deficit) at Beginning of Year	147,899	147,899	147,899	0
Prior Year Encumbrances Appropriated	89,925	89,925	89,925	0
Fund Balance (Deficit) at End of Year	<u>\$ 2,899</u>	<u>\$ 4,399</u>	<u>\$ 174,647</u>	<u>\$ 170,248</u>

See accompanying notes to basic financial statements.

Wayne County Joint Vocational School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2006

	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 75,309
Current Liabilities:	
Undistributed Monies	\$ 13,331
Due to Students	<u>61,978</u>
<i>Total Liabilities</i>	<u>\$ 75,309</u>

See accompanying notes to basic financial statements.

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Wayne 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

The Wayne County Joint Vocational School District (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under an appointed fifteen-member Board of Education and provides educational services as mandated by state and/or federal agencies. The Board controls one instructional/support facility staffed by 39 noncertificated employees, 106 certificated full-time teaching personnel and eight administrators who provide services to 816 students and other community members.

The Wayne County Joint Vocational School District provides more than instruction to its students. These additional services include student guidance, extracurricular, educational media, and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education through the budgetary process. These District operations form the oversight unit and will be included as part of the reporting entity.

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

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, the levying of taxes or the financial statements would be misleading if data from the component unit were not included. The School District has no component units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Wayne County Joint Vocational School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. For the year ended June 30, 2006, the School District has implemented GASB Statement No 42, “*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.*” GASB Statement No. 46 “*Net Assets Restricted by Enabling Legislation*”, and Statement No. 47 “*Accounting for Termination Benefits.*”

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

Wayne County Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balances as a result of the implementation of these new Standards. The most significant of the School District's accounting policies are described below.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets, 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 distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District does not have any activities that are reported as business-type.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The government-wide 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 restricted to meeting the operational or capital requirements of 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 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 rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain

Wayne County Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

School District functions or activities. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus 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 used to account for all financial resources, except those required to be accounted for in another fund. The general fund is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement – The permanent improvement fund is used to account for all transactions related to the acquiring, constructing, or improving major capital facilities.

Adult Education – This fund accounts for educational opportunities offered on a tuition basis to adults living within the community.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The School District's fiduciary fund category consists of only one classification: the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

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.

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 balance reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are

Wayne County Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

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

Revenues – Exchanges and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or 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 the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal in return, include income and property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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: tuition fees, customer sales and service, investment earnings and grants and entitlements.

Deferred/Unearned Revenue

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

Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2006, and delinquent property taxes, whose availability is indeterminable and which are intended 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/unearned revenue.

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

Wayne County Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred except for unmatured principal and interest on long term debt which is reported only when due and the costs of accumulated unpaid vacation and sick leave which are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by the employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Process

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 fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

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

Cash and Investments

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

Nonparticipating investment contracts such as overnight repurchase agreements and non-negotiable certificates of deposit are reported at cost.

Following Ohio statues, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue has been credited to the General Fund and the Food Service Fund. Interest credited to the General Fund during fiscal year 2006 amounted to \$301,610 which includes \$97,108 assigned from other School District funds.

Wayne County Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization.

Inventory

On government-wide financial statements, inventories are presented at the lower cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items are recorded as an expenditure in the governmental fund types when consumed.

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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one 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 capitalized.

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

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Improvements	15 - 30 years
Furniture and Equipment	8 - 20 years
Vehicles	5 - 15 years

Wayne County Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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.

Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”.

Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees’ rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensated the employees for the benefits through paid time off or some other means.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a special event outside the control of the employer and employee.

Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The School District has accrued a liability for these compensated absences using the termination method when the following criterion is met:

1. The benefits are earned by the employee and it is probable that the employer will compensate the employee for the benefits through cash payments conditioned on the “employee’s” retirement (“termination payments”).

The sick leave liability has been based on the School District’s past experience of making termination payments for sick leave.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account “matured compensated absences payable”. The benefits will be paid from the fund from which the person is paid. In prior years, this fund has primarily been the general fund.

Accrued Liabilities and Long Term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments compensated absences and special termination benefits that will be paid from governmental funds are reported as

Wayne County Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

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, grantor or laws, or regulations of other governments.

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

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 property taxes, inventory, and encumbrances.

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

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net assets. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance are based upon 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,

Wayne County Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Expenditures and Changes in Fund Balances- Budget (Non-GAAP Basis) and Actual, presented for the General Fund and Adult Education special revenue fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget and the fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balances for governmental fund types (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Adult Education special revenue fund:

Net Change in Fund Balance Major Governmental Funds		
	General	Adult Education
GAAP Basis	\$ (617,857)	\$ (16,457)
Net Adjustment for Revenue Accruals	69,730	(56,512)
Advance In	180,946	143,500
Advance Out	(299,964)	0
Net Adjustment for Expenditure Accruals	38,941	(65,507)
Encumbrances (Budget Basis)	(287,584)	(68,201)
Budget Basis	\$ (915,788)	\$ (63,177)

NOTE 4 – FUND DEFICITS

Fund balances at June 30, 2006 included the following individual fund deficits:

	Deficit Fund Balance
Nonmajor Governmental Funds:	
Full Service Center	\$ 226
Career Development	1,772
Able Jobs	4,728
Vocational Education	80,440
Title I	875

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The deficits in the nonmajor governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

NOTE 5 – DEPOSITS AND INVESTMENTS

Deposits and investments are restricted by provisions of the Ohio Revised Code. State statutes require the classification of monies held by the School District into three categories.

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits maturing not later than 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 accounts, including passbook accounts. Interim monies are permitted to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

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8. Under limited circumstances, corporate debt instruments rated in either of the highest rating classifications by at least two nationally recognized rating agencies.

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

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

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Cash on Hand

At fiscal year end, the School District had \$275 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

At fiscal year end, the carrying amount of the School District's deposits was \$4,268,644 and the bank balance was \$4,511,621. Of the bank balance:

1. \$400,000 was covered by federal depository insurance; and
2. \$4,111,621 was held in collateral pools with no specification for which such funds are held which is considered to be uninsured and uncollateralized. Although all State statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

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Credit Risk: The School District's only investments during the fiscal year were in an overnight repurchase account, with a year end balance of \$3,475,000. This account is not rated by Standard & Poor's or Moody's Investors Service. The School District's policy doesn't address credit risk.

Concentration of Credit Risk: The School District places no limit on the amount the school district may invest in any one issuer. During the year, the School District's only investment was in an overnight repurchase account. These investments were secured with pledged collateral, held and in the name of the pledging institution in which the deposit and investments are held.

NOTE 6– PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second half tax distributions are received in the first half of the following fiscal year. Second half distributions occur in a subsequent 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 taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1, and are collected with real property taxes. Assessed values for real property are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 100 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the previous year. Tangible personal property assessments are 25 percent of true value, for capital assets and 23 percent of true value of inventory.

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

	2005 Second Half		
	Residential/ Agriculture	Commercial/ Industrial	Public Utilities
Real Property:			
Wayne County	\$ 1,379,937,670	\$ 338,522,170	\$ 580,590
Medina County	6,872,630	10,006,560	2,060
Holmes County	33,769,630	4,105,200	0
Stark County	42,830	0	0
Ashland County	0	0	0
Grand Total	<u>\$ 1,420,622,760</u>	<u>\$ 352,633,930</u>	<u>\$ 582,650</u>
%	67.54%	16.76%	0.03%
			Total Assessed
	General	Public Utilites	Value
Tangible Personal Property Tax:			
Wayne County	\$ 246,725,636	\$ 69,492,690	\$ 2,035,258,756
Medina County	4,715,668	709,080	22,305,998
Holmes County	6,410,100	1,601,300	45,886,230
Stark County	0	470	43,300
Ashland County	0	0	0
Grand Total	<u>\$ 257,851,404</u>	<u>\$ 71,803,540</u>	<u>\$ 2,103,494,284</u>
%	12.26%	3.41%	100.00%
Tax rate per \$1,000 of Assessed Valuation	\$ 4.10		

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Notes to the Basic Financial Statements
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	2006 First Half		
	Residential/ Agriculture	Commercial/ Industrial	Public Utilities
Real Property:			
Wayne County	\$ 1,519,542,430	\$ 364,205,640	\$ 589,400
Medina County	7,118,410	10,327,780	2,050
Holmes County	34,818,020	4,414,520	0
Stark County	0	0	0
Ashland County	0	0	0
Grand Total	<u>\$ 1,561,478,860</u>	<u>\$ 378,947,940</u>	<u>\$ 591,450</u>
%	69.27%	16.81%	0.03%
			Total Assessed Value
Tangible Personal Property Tax:	General	Public Utilities	
Wayne County	\$ 236,758,570	\$ 64,513,510	\$ 2,185,609,550
Medina County	3,137,580	611,250	21,197,070
Holmes County	6,527,030	1,633,400	47,392,970
Stark County	0	0	0
Ashland County	0	0	0
Grand Total	<u>\$ 246,423,180</u>	<u>\$ 66,758,160</u>	<u>\$ 2,254,199,590</u>
%	10.93%	2.96%	100.00%
Tax rate per \$1,000 of Assessed Valuation	\$ 4.10		

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 earlier or later payment dates to be established.

Tangible personal property taxes paid 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 September 20.

The Wayne, Medina, Holmes, Stark, and Ashland County Treasurers collect property tax on behalf of all taxing districts within the Counties. The County Auditors periodically advance to the School District their portion of the taxes collected. The amount available to the School District as an advance at June 30, 2006, is available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2006. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not

Wayne County Joint Vocational School District
Notes to the Basic Financial Statements
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intended to finance current year operations. The amount available as an advance at June 30 was \$259,549. The entire amount was available to the general fund. The amount available as an advance at June 30 is also reflected as a reservation of fund balance for future appropriations.

NOTE 7 – RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accounts, interfund, interest, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

NOTE 8 – CAPITAL ASSETS

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

	Balance 07/01/05	Additions	Disposals	Balance 06/30/06
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 354,000	\$ 0	\$ 0	\$ 354,000
Construction in Progress	0	586,528	0	586,528
Total Capital Assets, not being depreciated	354,000	586,528	0	940,528
<i>Capital Assets, being depreciated:</i>				
Land Improvements	380,391	0	0	380,391
Buildings and Improvements	5,144,061	24,615	0	5,168,676
Furniture and Equipment	3,273,505	304,688	0	3,578,193
Vehicles	375,195	60,550	0	435,745
Total Capital Assets, being depreciated	9,173,152	389,853	0	9,563,005
Less Accumulated Depreciation:				
Land Improvements	(326,525)	(4,765)	0	(331,290)
Buildings and Improvements	(4,243,939)	(70,261)	0	(4,314,200)
Furniture and Equipment	(2,630,919)	(154,934)	0	(2,785,853)
Vehicles	(366,629)	(7,605)	0	(374,234)
Total Accumulated Depreciation	(7,568,012)	(237,565)	0	(7,805,577)
Total Capital Assets being depreciated, net	1,605,140	152,288	0	1,757,428
Governmental Capital Assets, net	\$ 1,959,140	\$ 738,816	\$ 0	\$ 2,697,956

Wayne County Joint Vocational School District
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 3,070
Vocational	200,168
Adult/Continuing	1,761
Support Services:	
Pupil	734
Instructional Staff	140
Administration	727
Fiscal	1,587
Operation and Maintenance Plant	17,748
Pupil Transportation	6,942
Operation of Non-Instructional Services	4,688
Total Depreciation Expense	<u>\$ 237,565</u>

NOTE 9 – RISK MANAGEMENT

General Insurance

The School District is exposed to various risks of loss related to torts; theft; damage to or destruction of assets, errors and omissions; employee injuries; and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$1,000 per incident. The School District's vehicle liability insurance policy limit is \$1,000,000 for each occurrence with a \$250 collision deductible. All administrators and employees are covered under a District liability policy. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction of coverage from the prior fiscal year.

Fidelity Bond

The Board President and Superintendent each have a \$20,000 position bond. The Treasurer is covered under a surety bond in the amount of \$20,000. The Assistant Treasurer is also covered under a surety bond in the amount of \$10,000. All other school employees who are responsible for handling funds are covered by a \$10,000 fidelity bond.

Workers' Compensation

The School District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The School District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs.

Wayne County Joint Vocational School District
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NOTE 10 – LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District from July 1, 2005 through June 30, 2006, were as follows:

	<u>Outstanding</u> <u>07/01/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding</u> <u>06/30/06</u>	<u>Due Within</u> <u>One Year</u>
Governmental Type Activities:					
Food Processing Building Loan 0.00%, 12/02 - 12/07	\$ 21,993	\$ 0	\$ 8,798	\$ 13,195	\$ 8,798
Total Loans Payable	<u>21,993</u>	<u>0</u>	<u>8,798</u>	<u>13,195</u>	<u>8,798</u>
<i>Other Long-Term Liabilities</i>					
Compensated Absences Payable	858,928	0	20,451	838,477	21,681
Early Retirement Incentive Payable	0	17,855	0	17,855	3,571
Total Other Long-Term Liabilities	<u>858,928</u>	<u>17,855</u>	<u>20,451</u>	<u>856,332</u>	<u>25,252</u>
Total Governmental Type Activities Long-Term Liabilities	<u>\$ 880,921</u>	<u>\$ 17,855</u>	<u>\$ 29,249</u>	<u>\$ 869,527</u>	<u>\$ 34,050</u>

The debt service fund is being used to repay the Food Processing Building Loan. Compensated absences payable will be paid from the fund from which the employee is paid. The early retirement incentive payable will be paid from the employee severance fund. The Food Processing Building Loan is an interest free loan from the State of Ohio. The loan was made in fiscal year 1993 in the amount of \$181,111. Principal requirements to maturity for the Food Processing Building Loan are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>
2007	\$ 8,798
2008	<u>4,397</u>
Total	<u>\$ 13,195</u>

The Food Processing Building Loan is backed by the full faith and credit of the School District.

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NOTE 11 – INTERFUND BALANCES

The composition of interfund receivable/payable as of June 30, 2006, on the Balance Sheet is as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 299,964	\$ 0
Adult Education Fund	0	143,500
Nonmajor Governmental Funds:		
Full Service Center	0	433
Career Development	0	1,772
Able Jobs	0	4,731
Adult Basic Education	0	18,302
Vocational Education	0	80,434
Title I	0	48,251
Title VI	0	614
Drug Free Schools	0	1,486
Improving Teacher Quality	0	441
Total	\$ 299,964	\$ 299,964

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2006, all interfund payables outstanding are anticipated to be repaid in fiscal year 2007.

NOTE 12 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund statements:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 1,743,798
Permanent Improvement Fund	1,725,000	0
Nonmajor Governmental Funds:		
Bond Retirement	8,798	0
Public School Support	10,000	0
Total	\$ 1,743,798	\$ 1,743,798

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 13 – PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement 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, Columbus, Ohio 43215-3746 or by calling (614) 222-5853. It is also posted on SERS website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10% 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% of annual covered payroll. 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 to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$213,449, \$198,002, and \$185,975, respectively; 99% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$ 3,174 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

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 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

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

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$860,645, \$831,022, and \$828,347, respectively; 87% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$14,318 made by the School District and \$27,142 made by the plan members. \$110,006 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

A retiree of STRS Ohio or another Ohio Public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

NOTE 14 – POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$61,475 during the 2006 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, (latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, the health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, 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.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year

Wayne County Joint Vocational School District
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2005, the minimum pay has been established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$96,382.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. Net health care costs for the year ending June 30, 2005 (latest information available) were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 58,123.

NOTE 15 – OTHER EMPLOYEE BENEFITS – COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year depending upon length of service. Vacation days are credited to classified employees on the anniversary of their employment and must be used within the next twelve months. Teachers and administrators do not earn vacation time. All employees of the Board of Education earn sick leave at the rate of one and one-fourth days per month. Upon retirement and with 10 years of service or more at the School District, nonclassified employees shall receive severance payments equal to 25 percent of accumulated unused sick leave and classified employees shall receive severance payments equal to 30 percent of accumulated unused sick leave.

NOTE 16 – JOINTLY GOVERNED ORGANIZATION

The Midland Council of Governments is a jointly governed organization among twenty-two boards of education. The Council of Governments was formed to provide efficient and cost effective computer and data processing services to member boards. Financial support for the Council of Governments is provided by member fees levied according to the number of students within each member's respective district. The Executive Committee determines and sets the fees for all services.

Representation on the Council of Governments consists of one member appointed by each member board of education. The representative shall be the Superintendent, Assistant Superintendent or Treasurer of the member district board of education. The Council of Governments is governed by the Executive Committee who is elected for two year terms except the position of Fiscal Agent Superintendent which is a permanent appointment. The Executive Committee consists of seven members. The members are two Superintendents, two Treasurers, two members-at-large and the Fiscal Agent Superintendent.

NOTE 17 – CONTINGENCIES

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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.

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For the Fiscal Year Ended June 30, 2006

NOTE 18 – SET ASIDES

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

Effective April 10, 2001, Senate Bill 345, eliminated the requirement that the School Districts establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the act. During the fiscal year, the Board acted on this Senate Bill and passed a resolution to eliminate the reserve balance.

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

	Budget Stabilization Reserve	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set Aside Cash Balance as of June 30, 2005	\$ 277,462	\$ 0	\$ 0	\$ 277,462
Set Aside Carry Over Balance as of June 30, 2005	0	0	(1,482,070)	(1,482,070)
Current Year Set-Aside Requirement	0	126,466	126,466	252,932
Qualifying Disbursements	(277,462)	(146,429)	(623,239)	(1,047,130)
Totals	<u>\$ 0</u>	<u>\$ (19,963)</u>	<u>\$ (1,978,843)</u>	<u>\$(1,998,806)</u>
Cash Balance Carried Forward FY 2007	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,978,843)</u>	<u>\$(1,978,843)</u>
Amount to Restrict for Set-Asides				<u>\$ 0</u>
Amount to Set-Aside				<u>\$ 0</u>

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts may only be used to reduce the set-aside requirement of future years for the purchase of textbooks and/or instructional materials. Negatives are therefore not presented as being carried forward to the next fiscal year for the other set-asides.

NOTE 19 – CONTRACTUAL COMMITMENTS

As of June 30, 2006, the School District had the following major contractual commitments outstanding:

Projects	Contract Amount	Amount Paid as of June 30, 2006	Amount Remaining on Contract
Telecommunications Building	\$ 2,165,223	\$ 586,528	\$ 1,578,695

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 1, 2006

To the Board of Education
Wayne County Joint Vocational School District
Smithville, Ohio 44677

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County Joint Vocational School District as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 1, 2006. 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 Wayne County Joint Vocational School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne County Joint Vocational School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of Wayne County Joint Vocational School District in a separate letter dated December 1, 2006.

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

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 1, 2006

To the Board of Education
Wayne County Joint Vocational School District
Smithville, Ohio 44677

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

Compliance

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

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

In our opinion, Wayne County Joint Vocational School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Wayne County Joint Vocational School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Wayne County Joint Vocational School District internal control over compliance with requirements that could have a direct and material effect on its major program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133. However, we noted certain matters that we have reported to management of Wayne County Joint Vocational School District in a separate letter dated December 1, 2006.

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 the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards - Non GAAP Budgetary Basis

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County Joint Vocational School District, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 1, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of Wayne County Joint Vocational School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, Audit Committee, management, 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.

Kea & Associates, Inc.

**WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
U. S. Department of Education (passed through the Ohio Department of Education):						
ABLE C/O FY04	ABS1-2004-C	84.002	\$ 15,000	\$ 0	\$ 15,000	\$ 0
ABLE FY05	ABS1-2005	84.002	47,691	0	13,042	0
ABLE EL/Civics FY05	ABS2-2005	84.002	7,036	0	979	0
ABLE EL/Civics C/O FY05	ABS2-2005-C	84.002	0	0	1,156	0
ABLE FY06	ABS1-2006	84.002	158,625	0	134,616	0
ABLE EL/Civics FY06	ABS2-2006	84.002	36,636	0	25,972	0
Total Adult Basic Literacy Education			264,988	0	190,765	0
Vocational Ed. - Carl D. Perkins - Secondary FY05	20C1-2005	84.048	51,932	0	28,804	0
Vocational Ed. - Carl D. Perkins - Adult FY05	20C2-2005	84.048	1,771	0	425	0
Vocational Ed. - Carl D. Perkins - Secondary FY06	20C1-2006	84.048	221,987	0	271,401	0
Vocational Ed. - Carl D. Perkins - Adult FY06	20C2-2006	84.048	73,726	0	80,715	0
Total Vocational Education			349,416	0	381,345	0
Safe and Drug-Free Schools, Title IV-A FY06	DRS1-2006	84.186	654	0	2,140	0
Even Start FY05	EVS1-2005	84.213	9,782	0	14,585	0
Even Start FY06	EVS1-2006	84.213	283,725	0	273,078	0
Total Even Start			293,507	0	287,663	0
Innovative Education Program, Title V FY05	C2S1-2005	84.298	967	0	0	0
Innovative Education Program, Title V FY06	C2S1-2006	84.298	1,962	0	2,576	0
Total Innovative Education Program, Title V			2,929	0	2,576	0
Improving Teacher Quality, Title II-A FY05	TRS1-2005	84.367	(226)	0	0	0
Improving Teacher Quality, Title II-A FY06	TRS1-2006	84.367	4,640	0	5,082	0
Total Improving Teacher Quality, Title II-A			4,414	0	5,082	0
Total Ohio Department of Education Pass-Through			915,908	0	869,571	0
U.S. Department of Education (passed through the Ohio Rehabilitation Services Commission):						
Vocational Rehabilitation Grants to States	N/A	84.126	10,149	0	10,149	0
U.S. Department of Education (Direct Awards):						
Pell Grant	N/A	84.063	248,874	0	249,534	0
Supplemental Educational Opportunity Grant	N/A	84.063	15,000	0	15,000	0
Total Direct Awards			263,874	0	264,534	0
Total U.S. Department of Education			1,189,931	0	1,144,254	0
U.S. Department of Labor (passed through the Ohio Department of Education):						
WIA Adult Program	N/A	17.258	55,894	0	55,894	0
U.S. Department of Labor (passed through the Ohio Department of Job and Family Services):						
Workers Trade Adjustment Assistance	N/A	17.245	12,425	0	12,425	0
Total U.S. Department of Labor			68,319	0	68,319	0
U.S. Department of Homeland Security: Federal Emergency Management Agency (passed through the Ohio Emergency Management Agency):						
Public Assistance Grant Program		97.036	8,910	0	8,910	0
U. S. Department of Agriculture (passed through the Ohio Department of Education):						
Food Distribution Program (A) (B)	N/A	10.550	0	31,084	0	31,084
National School Lunch Program (A)	LLP4-2005	10.555	17,728	0	17,728	0
National School Lunch Program (A)	LLP4-2006	10.555	48,822	0	48,822	0
Total Child Nutrition Cluster			66,550	0	66,550	0
Total U.S. Department of Agriculture			66,550	31,084	66,550	31,084
Total Federal Assistance			\$ 1,333,710	\$ 31,084	\$ 1,288,033	\$ 31,084

(A) Government commodities are reported at the fair market value of the commodities received and disbursed.

(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

(N/A) Pass-through entity number is either not available or not applicable, as is the case with direct federal awards.

**WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None were noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted.



Mary Taylor, CPA
Auditor of State

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
WAYNE 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
FEBRUARY 13, 2007