

**Ashland County-West Holmes
Joint Vocational School District**
Audited Financial Statements

June 30, 2007



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ashland County-West Holmes Joint Vocational School District, Ashland County, prepared by Rea & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. 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 Ashland County-West Holmes Joint Vocational School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 16, 2008

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

JUNE 30, 2007

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

February 15, 2008

To the Board of Education
Ashland County-West Holmes
Joint Vocational School District
Ashland, OH 44805

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 Ashland County-West Holmes Joint Vocational School District (the "School District"), Ashland County, Ohio as of and for the year ended June 30, 2007, 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 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 Ashland County-West Holmes Joint Vocational School District, Ashland County, Ohio as of June 30, 2007, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and 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 also have issued our report dated February 15, 2008, 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 the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 2 through 10 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Rea & Associates, Inc.

Ashland County-West Holmes Joint Vocational School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007

The discussion and analysis of the Ashland County-West Holmes Joint Vocational School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets increased \$1,453,229.
- General revenues accounted for \$6,068,856 in revenue or 76.6 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$1,850,184 or 23.4 percent of total revenues of \$7,919,040.
- The School District had \$6,465,811 in expenses related to governmental activities; only \$1,850,184 of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,068,856 were adequate to provide for these programs.
- Outstanding debt decreased from \$836,803 in 2006 to \$748,904 during 2007.
- Among major funds, the general fund had \$5,949,533 in revenues and other financing sources and \$4,891,357 in expenditures and other financing uses. During fiscal year 2007, the general fund balance increased \$1,058,176 from \$1,833,771 to \$2,891,947.

Using this Annual Report

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

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

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2007

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 2007?" 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 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, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation and non-instructional services, which includes the food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for 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 the 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 basic financial statements.

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2007

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 22 and 23. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

Recall 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 2007 compared to 2006:

(Table 1)
Net Assets

	Governmental Activities	
	2007	2006
Assets:		
Current and Other Assets	\$ 7,484,076	\$ 6,223,837
Capital Assets	4,067,240	4,207,543
Total Assets	11,551,316	10,431,380
Liabilities:		
Long-Term Liabilities	978,678	1,135,604
Other Liabilities	3,106,427	3,282,794
Total Liabilities	4,085,105	4,418,398
Net Assets:		
Invested in Capital Assets		
Net of Related Debt	3,316,809	3,368,618
Restricted	309,883	143,351
Unrestricted	3,839,519	2,501,013
Total Net Assets	\$ 7,466,211	\$ 6,012,982

Total net assets increased by \$1,453,229. An increase of \$1,083,725 in pooled cash and cash equivalents accounts for the majority of the increase in current and other assets. A decrease of \$140,303 in total capital assets reflects depreciation exceeding additional purchases. Total liabilities decreased by \$333,293, which was primarily a result of principal payments, which decreased long-term debt.

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2007

Table 2 shows the changes in net assets for fiscal year 2007 and 2006. This table presents two fiscal years in side-by-side comparison. This will enable the reader to draw further conclusions about the School District's financial status and possibly project future problems.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2007	2006
Revenues:		
<i>Program Revenues:</i>		
Charges for Services	\$ 772,045	\$ 610,228
Operating Grants	1,022,988	1,231,296
Capital Grants	55,151	42,316
<i>General Revenue:</i>		
Property Taxes	3,311,678	2,939,814
Grants and Entitlements	2,506,948	2,308,399
Other	250,230	123,135
	<u>7,919,040</u>	<u>7,255,188</u>
Program Expenses:		
Instruction	4,212,356	3,956,319
<i>Support Services:</i>		
Pupil and Instructional Staff	338,115	349,398
Board of Education, Administration, Fiscal and Business	1,032,780	972,790
Operation and Maintenance	539,346	528,242
Pupil Transportation	11,007	9,606
Central	38,956	46,640
Operation of Non-Instructional Services	259,902	254,590
Extracurricular Activities	5,866	0
Interest and Fiscal Charges	27,483	32,010
	<u>6,465,811</u>	<u>6,149,595</u>
<i>Total Expenses</i>	<u>6,465,811</u>	<u>6,149,595</u>
Increase in Net Assets	<u>\$ 1,453,229</u>	<u>\$ 1,105,593</u>

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2007

Governmental Activities

Several revenue sources fund the School District's governmental activities with intergovernmental revenues being the largest contributor. Property taxes are also a large revenue generator. Property tax levies generated \$3,311,678 in 2007. With the combination of taxes and intergovernmental revenues funding over 90 percent of expenses in governmental activities, the School District monitors both of these revenue sources very closely for fluctuations.

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. Comparisons of 2007 to 2006 have been made in Table 3.

(Table 3)
Governmental Activities

	Total Cost of Service 2007	Total Cost of Service 2006	Net Cost of Service 2007	Net Cost of Service 2006
Instruction	\$ 4,212,356	\$ 3,956,319	\$ (2,598,905)	\$ (2,342,666)
Support Services:				
Pupil and Instructional Staff	338,115	349,398	(279,927)	(237,451)
Board of Education, Administration				
Fiscal and Business	1,032,780	972,790	(1,030,480)	(972,790)
Operation and Maintenance	539,346	528,242	(532,646)	(521,463)
Pupil Transportation	11,007	9,606	(11,007)	(9,606)
Central	38,956	46,640	(20,553)	(46,640)
Operation of Non-Instructional Services	259,902	254,590	(108,760)	(103,129)
Extracurricular Activities	5,866	0	(5,866)	0
Interest and Fiscal Charges	27,483	32,010	(27,483)	(32,010)
Total	\$ 6,465,811	\$ 6,149,595	\$ (4,615,627)	\$ (4,265,755)

Instruction and student support services comprise 70.1 percent of governmental program expenses. Interest, fiscal and administration charges were 16.4 percent. Interest expense was attributable to the outstanding bonds; fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided by the School District. Pupil transportation and the operation and maintenance of plant account for 8.5 percent of governmental program expenses. Central expenses account for .6 percent of program expenses. Operation of non-instructional services, consisting primarily of food service operations and community services, comprise 4.0 percent of governmental program expenses. Extracurricular activities account for less than 1 percent of program expenses.

The dependence upon general revenues in the form of property taxes and grants and entitlements such as school foundation program is apparent.

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2007

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,892,658 (exclusive of other financing sources) and expenditures of \$6,552,282 (exclusive of other financing uses).

The net change in fund balance for the year was most significant in the general fund. In fiscal year 2007, the net change in fund balance in the general fund was \$1,058,176. Total revenues increased by over \$500,000 in fiscal year 2007 in comparison to fiscal year 2006. The net change in the adult education fund was an increase of \$125,663 and the net change in the permanent improvement fund was an increase of \$153,109.

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 2007, the School District modified its general fund budget one time. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$5,394,910 and actual revenues were \$5,761,264. Of this \$366,354 increase, most was due to actual receipts for property tax and intergovernmental revenue being greater than the final budget amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$5,112,842 were increased to \$5,187,842 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$4,925,799, which was \$262,043 lower than final budget appropriations with expenditures for support services, primarily operation and maintenance, accounting for the majority of this decrease.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$4,067,240 invested in land, land improvements, buildings and building improvements, infrastructure, furniture and equipment and vehicles. See note 6 for additional details. Table 4 shows fiscal year 2007 balances compared with 2006.

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2007

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

	Governmental Activities	
	2007	2006
Land	\$ 50,000	\$ 50,000
Land Improvements	3,580	5,341
Buildings and Improvements	3,483,832	3,488,579
Infrastructure	15,232	16,253
Furniture and Equipment	512,764	643,800
Vehicles	1,832	3,570
Totals	\$ 4,067,240	\$ 4,207,543

The \$140,303 decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

Debt Administration

At June 30, 2007, the School District had \$750,431 in outstanding debt and leases with \$91,336 due within one year. See note 7 for additional details. Table 5 summarizes bonds, loans and leases outstanding.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities	
	2007	2006
OWDA Loan	\$ 160,745	\$ 191,019
General Obligation Bonds	588,159	645,784
Capital Leases	1,527	2,122
Totals	\$ 750,431	\$ 838,925

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

On July 15, 2005, the School District issued \$160,000 of general obligation bonds for the purpose of acquiring and installing equipment to be used in the automotive technology program. The bonds mature on July 15, 2012 and carry an interest rate of 3.5 percent.

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2007

On July 15, 2005, the School District issued \$527,619 of general obligation bonds for the purpose of acquiring and installing energy conservation improvements. The bonds mature on July 15, 2020 and carry an interest rate of four percent.

Current Financial Related Activities

The Ashland County-West Holmes Joint Vocational School District ended FY2007 in a stronger financial position.

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Voters approved the renewal of the 1.0 mill issue in November 2006. This stabilized the finances of the district for the FY2007 school year. The Board of Education requested that the voters replace the 0.5 mill continuing levy in November 2005. The effective rate of the levy had dropped to 0.28 mill. When the voters approved the replacement levy, the effective rate returned to the full 0.5 mill. Property taxes made up 40% of revenues for governmental activities for the Ashland County-West Holmes Joint Vocational School District in fiscal year 2007.

The School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and the loss of commercial business and property due to plant closures. Since FY2003, the School District has lost \$56,419,916 in tangible personal property valuation. This translates to a loss of \$203,112 in revenue. While this trend will continue, the State of Ohio has implemented a program to reimburse schools for lost tangible personal property tax revenue. The district received \$117,032 in FY07. This program is currently only scheduled to make disbursements until FY2011. After the program expires, there is no guarantee that districts will continue to be "held harmless".

As the preceding information shows, the School District relies heavily on its local property taxpayers. Management diligently planned expenses so that the last levy stretched for the three years it was promised. This has been made increasingly difficult with mandates, rising utility costs, increased services required for our students, and significant increases in fees, insurances, teaching materials, and textbooks.

The staff members of the School District worked hard to reduce expenses while still delivering a quality education to students. The staff's commitment to the students and community were vital to maintaining the financial health of the School District. Since we did not increase our staff size back to pre-RIF (reduction in force) levels and other expenses did not increase dramatically, the School District ended the year with a larger positive balance.

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2007

The Ashland County-West Holmes Joint Vocational School District is a school of choice. Students choose to come to this school so enrollment levels are critical since it serves as the basis for receiving state foundation funding. Enrollment fell dramatically in FY2003, rebounded in FY2004, increased in FY2005, and FY2006 and decreased in FY2007 by approximately 40 students. The foundation amount received stayed comparable between FY2006 and FY2007 due to the transitional (“guarantee”) aid received which is intended to keep the foundation revenue at the prior year level. FY2007 was spent evaluating the viability of the current programs and investigating the start-up of new programs. The School District implemented a bio-science program in FY2008 and will implement a health and sports fitness program in FY2009 which they hope will increase the enrollment.

During FY2006, the Board of Education approved an energy retrofit project under the auspices of HB264. The energy savings from the retrofit more than cover the cost of the loan. This project was finished in November 2006. Preliminary results over the first year show enough savings to consider retro fitting the lighting system, which was started in FY2008.

The State of Ohio has been providing “career-technical weighted funds” to career centers. This additional source of revenue is to acknowledge that it does not cost more to educate a career-technical student than a regular comprehensive high school student. In FY2007, it became mandatory for treasurers to report the spending of career-technical funds. While this appears to be a simple task, there is not agreement on what the rules say, what is an allowable expense, and who determines what qualifies. The Ohio Department of Education actually issued four different versions of what was acceptable for calculations. This issue remains unclear to date. In the past, account codes were kept simple to make it easier for administrators and staff to code their requisitions. With the required reporting of career-technical expenditures, account codes have become more complicated. As an example, the copier in the Teachers Work Area is used by everyone in the building. About 65% of the usage is done by career-technical teachers so three codes must now be used to account for copy costs – one for career-technical teachers, one for academic teachers, and one for administrative offices. It has forced a change in how we use grants. In the past, they were used to cover supplies, contracted services, mileages, and special purchases. Now that most salaries are not allowed to count in the calculations, the grants are being used to pay for salaries and the General Fund pays for textbooks, supplies, and equipment. The Treasurer for the Ashland County- West Holmes JVSD has been conservative in calculating the items allowable until clarification has been received. A request to carry over unspent career-technical weighted funds from FY2007 to FY2008 was filed by June 30, 2007, and was approved by the Ohio Department of Education.

While the Career Center is currently in a stable financial position, management and the Board of Education will have to continually plan carefully and prudently to provide the resources to meet student needs over the next several years.

Contacting the 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 Sherry Paullin, Treasurer of Ashland County-West Holmes District, 1783 State Route 60, Ashland, OH 44805.

Ashland County - West Holmes Joint Vocational School District

Statement of Net Assets

June 30, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,535,317
Cash and Cash Equivalents with Fiscal Agent	735,131
Receivables:	
Taxes	3,089,947
Accounts	14,144
Intergovernmental	35,063
Prepaid Items	70,974
Inventory Held For Resale	3,500
Nondepreciable Capital Assets	50,000
Depreciable Capital Assets (Net)	4,017,240
<i>Total Assets</i>	11,551,316
Liabilities	
Accounts Payable	15,116
Accrued Wages and Benefits	477,448
Matured Compensated Absences Payable	4,822
Accrued Vacation Payable	64,850
Intergovernmental Payable	71,748
Deferred Revenue	2,293,141
Accrued Interest Payable	4,800
Claims Payable	174,502
Long Term Liabilities:	
Due Within One Year	91,336
Due in More Than One Year	887,342
<i>Total Liabilities</i>	4,085,105
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,316,809
Restricted for:	
Capital Projects	295,248
Other Purposes	14,635
Unrestricted	3,839,519
<i>Total Net Assets</i>	\$ 7,466,211

The accompanying notes are an integral part of the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Program Revenues				Net (Expense) and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction:					
Regular	\$ 490,904	\$ 0	\$ 34,517	\$ 55,151	\$ (401,236)
Special	224,510	0	216,180	0	(8,330)
Vocational	2,416,475	147,832	179,109	0	(2,089,534)
Adult Continuing	1,080,467	505,723	474,939	0	(99,805)
Support Services:					
Pupils	152,983	0	41,165	0	(111,818)
Instructional Staff	185,132	0	17,023	0	(168,109)
Board of Education	117,491	0	0	0	(117,491)
Administration	598,562	0	2,300	0	(596,262)
Fiscal	312,128	0	0	0	(312,128)
Business	4,599	0	0	0	(4,599)
Operation and Maintenance of Plant	539,346	2,990	3,710	0	(532,646)
Pupil Transportation	11,007	0	0	0	(11,007)
Central	38,956	0	18,403	0	(20,553)
Operation of Non-instructional Services:					
Food Service Operations	108,973	75,252	35,487	0	1,766
Other Non-Instructional Services	150,929	40,248	155	0	(110,526)
Extracurricular Activities	5,866	0	0	0	(5,866)
Interest and Fiscal Charges	27,483	0	0	0	(27,483)
<i>Total Governmental Activities</i>	<u>\$ 6,465,811</u>	<u>\$ 772,045</u>	<u>\$ 1,022,988</u>	<u>\$ 55,151</u>	<u>(4,615,627)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					2,866,947
Capital Outlay					444,731
Gifts and Donations					3,120
Grants and Entitlements not Restricted to Specific Programs					2,506,948
Investment Earnings					164,431
Miscellaneous					82,679
<i>Total General Revenues</i>					<u>6,068,856</u>
Change in Net Assets					1,453,229
<i>Net Assets Beginning of Year</i>					<u>6,012,982</u>
<i>Net Assets End of Year</i>					<u>\$ 7,466,211</u>

The accompanying notes are an integral part of the basic financial statements.

Ashland County - West Holmes Joint Vocational School District

*Balance Sheet
Governmental Funds
June 30, 2007*

	General	Permanent Improvement	Adult Education	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 2,747,127	\$ 193,637	\$ 459,182	\$ 135,371	\$ 3,535,317
Receivables:					
Taxes	2,673,569	416,378	0	0	3,089,947
Accounts	0	0	13,164	980	14,144
Interfund	18,895	0	10,746	0	29,641
Intergovernmental	0	0	13,693	21,370	35,063
Prepaid Items	50,912	0	6,697	13,365	70,974
Inventory Held For Resale	0	0	0	3,500	3,500
<i>Total Assets</i>	<u>\$ 5,490,503</u>	<u>\$ 610,015</u>	<u>\$ 503,482</u>	<u>\$ 174,586</u>	<u>\$ 6,778,586</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 12,592	\$ 937	\$ 1,587	\$ 0	\$ 15,116
Accrued Wages and Benefits	415,029	0	31,579	30,840	477,448
Matured Compensated Absences Payable	0	0	0	4,822	4,822
Interfund Payable	0	0	0	29,641	29,641
Intergovernmental Payable	59,162	0	5,232	7,354	71,748
Deferred Revenue	2,111,773	328,907	0	0	2,440,680
<i>Total Liabilities</i>	<u>2,598,556</u>	<u>329,844</u>	<u>38,398</u>	<u>72,657</u>	<u>3,039,455</u>
Fund Balances					
Reserved for Encumbrances	8,967	0	0	75	9,042
Reserved for Property Taxes	561,796	87,471	0	0	649,267
Reserved for Termination Benefits	0	0	0	100,378	100,378
Unreserved:					
Designated for Budget Stabilization	72,189	0	0	0	72,189
Undesignated, Reported in:					
General Fund	2,248,995	0	0	0	2,248,995
Special Revenue Funds	0	0	465,084	1,476	466,560
Capital Projects Fund	0	192,700	0	0	192,700
<i>Total Fund Balances</i>	<u>2,891,947</u>	<u>280,171</u>	<u>465,084</u>	<u>101,929</u>	<u>3,739,131</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,490,503</u>	<u>\$ 610,015</u>	<u>\$ 503,482</u>	<u>\$ 174,586</u>	<u>\$ 6,778,586</u>

The accompanying notes are an integral part of the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
Reconciliation of Total Governmental
Fund Balances to Net Assets of Governmental Activities
June 30, 2007

Total Governmental Fund Balances	\$	3,739,131
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		4,067,240
Delinquent property taxes are not available to pay for current-period expenditures and therefore are deferred in the funds.		147,539
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		560,629
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is not recorded.		(4,800)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:		
Accrued Vacation Payable	\$ (64,850)	
Compensated Absences	(228,247)	
Bonds Payable	(588,159)	
Loans Payable	(160,745)	
Capital Leases Payable	(1,527)	
	(1,043,528)	(1,043,528)
 <i>Net Assets of Governmental Activities</i>	 \$	 <u>7,466,211</u>

The accompanying notes are an integral part of the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Permanent Improvement	Adult Education	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 2,844,192	\$ 441,104	\$ 0	\$ 0	\$ 3,285,296
Intergovernmental	2,709,459	55,151	416,638	403,684	3,584,932
Investment Income	159,503	4,733	0	195	164,431
Tuition and Fees	22,434	0	505,723	39,194	567,351
Rentals	2,990	0	0	0	2,990
Charges for Services	136,066	0	0	65,638	201,704
Contributions and Donations	3,120	0	0	155	3,275
Miscellaneous	71,769	0	2,465	8,445	82,679
<i>Total Revenues</i>	<u>5,949,533</u>	<u>500,988</u>	<u>924,826</u>	<u>517,311</u>	<u>7,892,658</u>
Expenditures					
Current:					
Instruction:					
Regular	391,356	25,910	0	43,211	460,477
Special	160,167	11,727	0	60,741	232,635
Vocational	2,174,597	0	0	113,951	2,288,548
Adult Continuing	214,569	0	799,163	77,164	1,090,896
Support Services:					
Pupils	118,860	532	0	43,836	163,228
Instructional Staff	156,561	930	0	27,851	185,342
Board of Education	117,491	0	0	0	117,491
Administration	581,018	5,137	0	9,348	595,503
Fiscal	303,792	12,662	0	0	316,454
Business	4,599	0	0	0	4,599
Operation and Maintenance of Plant	489,951	81,648	0	3,740	575,339
Pupil Transportation	6,639	399	0	2,231	9,269
Central	13,457	0	0	24,802	38,259
Operation of Non-Instructional Services					
Food Service Operations	0	0	0	107,769	107,769
Other Non-Instructional Services	114,440	0	0	36,489	150,929
Extracurricular Activities	5,866	0	0	0	5,866
Capital Outlay	0	92,963	0	0	92,963
Debt Service:					
Principal Retirement	595	87,899	0	0	88,494
Interest and Fiscal Charges	149	28,072	0	0	28,221
<i>Total Expenditures</i>	<u>4,854,107</u>	<u>347,879</u>	<u>799,163</u>	<u>551,133</u>	<u>6,552,282</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,095,426</u>	<u>153,109</u>	<u>125,663</u>	<u>(33,822)</u>	<u>1,340,376</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	37,250	37,250
Transfers Out	(37,250)	0	0	0	(37,250)
<i>Total Other Financing Sources (Uses)</i>	<u>(37,250)</u>	<u>0</u>	<u>0</u>	<u>37,250</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,058,176	153,109	125,663	3,428	1,340,376
<i>Fund Balances Beginning of Year</i>	<u>1,833,771</u>	<u>127,062</u>	<u>339,421</u>	<u>98,501</u>	<u>2,398,755</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,891,947</u>	<u>\$ 280,171</u>	<u>\$ 465,084</u>	<u>\$ 101,929</u>	<u>\$ 3,739,131</u>

The accompanying notes are an integral part of the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007*

Net Change in Fund Balances - Total Governmental Funds	\$	1,340,376
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital Asset Additions	\$ 191,629	
Current Year Depreciation	<u>(329,385)</u>	(137,756)

The net effect of transactions involving sale of capital assets are not reflected in the funds.		(2,547)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		26,382
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Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Loans/Bonds Payable	87,899	
Capital Leases Payable	<u>595</u>	88,494

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.		738
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Vacation Payable	(11,730)	
Compensated Absences	<u>68,432</u>	56,702

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue of the internal service fund is reported with governmental activities.		<u>80,840</u>
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<i>Change in Net Assets of Governmental Activities</i>	\$	<u><u>1,453,229</u></u>
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The accompanying notes are an integral part of the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$ 2,542,355	\$ 2,542,355	\$ 2,644,942	\$ 102,587
Intergovernmental	2,579,262	2,579,262	2,709,459	130,197
Investment Income	70,000	70,000	159,503	89,503
Tuition and Fees	21,175	21,175	22,434	1,259
Rentals	3,000	3,000	2,990	(10)
Charges for Services	125,900	125,900	136,066	10,166
Contributions and Donations	250	250	3,120	2,870
Miscellaneous	23,487	23,487	22,089	(1,398)
<i>Total Revenues</i>	<u>5,365,429</u>	<u>5,365,429</u>	<u>5,700,603</u>	<u>335,174</u>
Expenditures				
Current:				
Instruction:				
Regular	398,734	390,983	386,598	4,385
Special	153,376	159,986	159,703	283
Vocational	2,291,242	2,340,156	2,290,658	49,498
Adult Continuing	94,420	94,430	93,327	1,103
Support Services:				
Pupils	120,674	120,569	119,301	1,268
Instructional Staff	180,252	178,382	158,143	20,239
Board of Education	138,517	144,967	126,556	18,411
Administration	600,387	595,967	581,180	14,787
Fiscal	319,831	319,016	303,877	15,139
Business	6,965	6,165	4,599	1,566
Operation and Maintenance of Plant	561,608	581,478	504,546	76,932
Pupil Transportation	14,875	13,175	6,657	6,518
Central	16,091	16,663	13,390	3,273
Operation of Non-Instructional Services	130,620	138,429	115,271	23,158
Extracurricular Activities	0	5,855	5,848	7
<i>Total Expenditures</i>	<u>5,027,592</u>	<u>5,106,221</u>	<u>4,869,654</u>	<u>236,567</u>
<i>Excess of Revenues Over Expenditures</i>	<u>337,837</u>	<u>259,208</u>	<u>830,949</u>	<u>571,741</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	500	500	0	(500)
Refund of Prior Year Expenditures	15,000	15,000	49,680	34,680
Advances In	13,981	13,981	10,981	(3,000)
Advances Out	(38,000)	(30,800)	(18,895)	11,905
Transfers Out	(47,250)	(50,821)	(37,250)	13,571
<i>Total Other Financing Sources (Uses)</i>	<u>(55,769)</u>	<u>(52,140)</u>	<u>4,516</u>	<u>56,656</u>
<i>Net Change in Fund Balance</i>	282,068	207,068	835,465	628,397
<i>Fund Balance Beginning of Year</i>	1,889,235	1,889,235	1,889,235	0
Prior Year Encumbrances Appropriated	12,840	12,840	12,840	0
<i>Fund Balance End of Year</i>	<u>\$ 2,184,143</u>	<u>\$ 2,109,143</u>	<u>\$ 2,737,540</u>	<u>\$ 628,397</u>

The accompanying notes are an integral part of the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual*
 Adult Education Fund
 For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 466,247	\$ 466,247	\$ 405,308	\$ (60,939)
Tuition and Fees	423,600	423,600	503,636	80,036
Contributions and Donations	3,000	3,000	0	(3,000)
Miscellaneous	250	250	485	235
<i>Total Revenues</i>	<u>893,097</u>	<u>893,097</u>	<u>909,429</u>	<u>16,332</u>
Expenditures				
Current:				
Instruction:				
Adult Continuing	1,076,939	1,076,939	818,632	258,307
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(183,842)</u>	<u>(183,842)</u>	<u>90,797</u>	<u>274,639</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	3,100	3,100	1,980	(1,120)
Advances In	9,781	9,781	9,780	(1)
Advances Out	(10,750)	(10,750)	(10,746)	4
<i>Total Other Financing Sources (Uses)</i>	<u>2,131</u>	<u>2,131</u>	<u>1,014</u>	<u>(1,117)</u>
<i>Net Change in Fund Balance</i>	<u>(181,711)</u>	<u>(181,711)</u>	<u>91,811</u>	<u>273,522</u>
<i>Fund Balance Beginning of Year</i>	<u>367,371</u>	<u>367,371</u>	<u>367,371</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 185,660</u>	<u>\$ 185,660</u>	<u>\$ 459,182</u>	<u>\$ 273,522</u>

The accompanying notes are an integral part of the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2007

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Cash and Cash Equivalents with Fiscal Agent	<u>\$ 735,131</u>
Liabilities	
Claims Payable	<u>174,502</u>
Net Assets	
Unrestricted	<u><u>\$ 560,629</u></u>

The accompanying notes are an integral part of the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2007

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	\$ 759,854
Operating Expenses	
Claims	567,181
Purchased Services	139,655
<i>Total Operating Expenses</i>	<u>706,836</u>
<i>Operating Income</i>	<u>53,018</u>
Non-Operating Revenue	
Interest	<u>27,822</u>
<i>Change in Net Assets</i>	80,840
<i>Net Assets Beginning of Year</i>	<u>479,789</u>
<i>Net Assets End of Year</i>	<u><u>\$ 560,629</u></u>

The accompanying notes are an integral part of the basic financial statements.

Ashland County - West Holmes Joint Vocational School District

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2007

	Governmental Activities - Internal Service Fund
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows From Operating Activities	
Cash Received from Charges for Services	\$ 759,854
Cash Paid for Services	(139,655)
Cash Paid for Claims	(554,158)
	<hr/>
<i>Net Cash Provided By Operating Activities</i>	66,041
	<hr/>
Cash Flows From Investing Activities	
Interest on Investments	27,822
	<hr/>
<i>Net Increase in Cash and Cash Equivalents</i>	93,863
<i>Cash and Cash Equivalents at Beginning of Year</i>	641,268
	<hr/>
<i>Cash and Cash Equivalents at End of Year</i>	\$ 735,131
	<hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income	\$ 53,018
Adjustment:	
Decrease in Claims Payable	13,023
	<hr/>
<i>Net Cash Provided By Operating Activities</i>	\$ 66,041
	<hr/> <hr/>

The accompanying notes are an integral part of the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 28,133	\$ 24,442
Intergovernmental Receivable	0	1,062
<i>Total Assets</i>	\$ 28,133	\$ 25,504
Liabilities		
Due to Students	0	\$ 25,504
Net Assets		
Held in Trust for Scholarships	\$ 28,133	

The accompanying notes are an integral part of the basic financial statements.

Ashland County - West Holmes Joint Vocational School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2007

	Private Purpose Trust
	Scholarship
Additions	
Gifts and Contributions	\$ 1,450
Interest	1,078
<i>Total Additions</i>	2,528
Deductions	
Scholarships Awarded	1,800
<i>Change in Net Assets</i>	728
<i>Net Assets Beginning of Year</i>	27,405
<i>Net Assets End of Year</i>	\$ 28,133

The accompanying notes are an integral part of the basic financial statements.

Ashland County-West Holmes Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

Note 1 – Description of the School District and Reporting Entity

The Ashland County-West Holmes Joint Vocational School District, Ashland County, (the “School District”) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District, as defined by Section 3311.18 of the Ohio Revised Code, is responsible for providing public education to residents of the member school districts. The School District is directed by an appointed nine-member Board of Education appointed by participating school districts. Average daily membership as of October 1, 2006 was 376. The School District employs 57 certificated and 25 non-certificated employees.

Reporting Entity

The reporting entity is required to be composed of the primary government, component units and other organizations that are included to ensure that the basic purpose financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service 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 provides financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District does not have any component units.

The School District is associated with the Tri-County Computer Service Association (TCCSA) which is defined as a jointly governed organization. This organization is presented in Note 15 to the basic financial statements. The School District also participates in a claims servicing pool, Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), which is presented in Note 16.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the School District have been prepared in conformity with accounting principals generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District’s accounting policies.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus

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

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets present 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 internal service fund.

The private purpose trust fund is accounted for on a flow of economic resources measurement focus.

D. Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or 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.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 9.) 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 non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue.

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

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

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require resolution of the Board of Education. The treasurer has been given authority to allocate Board appropriations to the function and object levels within each fund.

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 and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

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

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, including the internal service fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

During fiscal year 2007, investments were limited to repurchase agreements and STAROhio.

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

STAROhio is an investment pool managed by the State Treasurer’s Office, which allows governmental within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$159,503, which includes \$59,444 assigned from other School District funds.

The School District participates in the OME-RESA insurance consortium for self-insurance. These monies are held separate from the School District’s central bank account. The Jefferson County Educational Service Center serves as the fiscal agent for the insurance consortium.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method, which means that the costs of inventory items are recorded as expenditures in the governmental funds when consumed.

Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date donated. The School District maintains a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not.

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

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

J. Interfund Balances

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

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated unpaid leave.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Activity

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

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

N. Fund Balance Reserves and Designations

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 balance reserves have been established for encumbrances, property taxes and termination benefits. The School District designates portions of the fund balance, which the School District's Board of Education has segregated for specific future use.

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

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include instructional activities and grants. At June 30, 2007, none of the School District's net assets were restricted by enabling legislation.

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

P. Operating Revenues and Expenses

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

R. Estimates

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

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 3 – Fund Deficits

GAAP basis fund balances at June 30, 2007 included the following individual fund deficits:

<i>Non-Major Special Revenue Funds:</i>	Deficit
Educational Management Information System	\$ 138
Vocational Education Planning Development	31,669
Adult Basic Literacy	1,947
Title II	867

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

Note 4 - Budgetary Basis of Accounting

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

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

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 4 - Budgetary Basis of Accounting (Continued)

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

	General	Adult Education
GAAP Basis	\$ 1,058,176	\$ 125,663
Net Adjustments for Revenue Accruals	(199,250)	(13,416)
Advances In	10,981	9,780
Net Adjustment for Expenditure Accruals	(5,960)	(19,470)
Advances Out	(18,895)	(10,746)
Adjustment for Encumbrances	(9,587)	0
Budget Basis	\$ 835,465	\$ 91,811

Note 5 – Deposits and Investments

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

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

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

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

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 uninsured public monies deposited with the institution.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 5 – Deposits and Investments (Continued)

Interim monies 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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 (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 5 – Deposits and Investments (Continued)

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During fiscal year 2007, the School District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$2,720,670. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2007, \$2,562,172 of the School District's bank balance of \$2,841,300 was exposed to custodial risk as discussed above, while \$279,128 was covered by the Federal Deposit Insurance Corporation.

Funds Held By Fiscal Agent

At June 30, 2007, the Career Center's Self Insurance Internal Service Fund had a cash balance of \$735,131 with Ohio Mid-Eastern Regional Educational Service Agency School Employees Insurance Consortium (OME-RESA), a claims servicing pool (See Note 16). The money is held by the claims service in a pooled account which is representative of numerous entities and, therefore, cannot be classified by risk under GASB Statement No. 3. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Steubenville, OH 43952.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 5 – Deposits and Investments (Continued)

Investments

As of June 30, 2007, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 Months or Less</u>
STAROhio	\$ 408,847	\$ 408,847
Repurchase Agreement	458,375	458,375
Total	\$ 867,222	\$ 867,222

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk. STAROhio has been given an AAA rating by Standard & Poor’s. The repurchase agreement is unrated.

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2007:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
STAROhio	\$ 408,847	47.14%
Repurchase Agreement	458,375	52.86%
Total	\$ 867,222	100.00%

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 6 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Additions	Deletions	Transfers	Balance June 30, 2007
Governmental Activities					
<i>Capital Assets not being depreciated</i>					
Land	\$ 50,000	\$ 0	\$ 0	\$ 0	\$ 50,000
<i>Capital Assets being depreciated</i>					
Land Improvements	131,437	0	0	0	131,437
Buildings and Improvements	6,911,791	88,300	0	70,611	7,070,702
Infrastructure	51,056	0	0	0	51,056
Furniture and Equipment	2,162,191	103,329	(59,000)	(70,611)	2,135,909
Vehicles	12,825	0	0	0	12,825
<i>Total Capital Assets being depreciated</i>	9,269,300	191,629	(59,000)	0	9,401,929
<i>Less: Accumulated Depreciation</i>					
Land Improvements	(126,096)	(1,761)	0	0	(127,857)
Buildings and Building Improvements	(3,423,212)	(163,658)	0	0	(3,586,870)
Infrastructure	(34,803)	(1,021)	0	0	(35,824)
Furniture and Equipment	(1,518,391)	(161,207)	56,453	0	(1,623,145)
Vehicles	(9,255)	(1,738)	0	0	(10,993)
<i>Total Accumulated Depreciation</i>	(5,111,757)	(329,385) *	56,453	0	(5,384,689)
<i>Total Capital Assets being depreciated, net</i>	4,157,543	(137,756)	(2,547)	0	4,017,240
<i>Governmental Activities Capital Assets, Net</i>	\$ 4,207,543	\$ (137,756)	\$ (2,547)	\$ 0	\$ 4,067,240

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 45,899
Special	208
Vocational	242,073
Adult/Continuing	9,969
Support Services:	
Pupils	1,107
Instructional Staff	1,175
Administration	1,996
Fiscal	1,990
Operation and Maintenance of Plant	19,418
Pupil Transportation	1,738
Food Service Operations	3,812
<i>Total Depreciation Expense</i>	\$ 329,385

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 7 - Long-Term Obligations

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

	<u>Outstanding July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2007</u>	<u>Due Within One Year</u>
OWDA Loan, 2% interest rate, due 7/01/2012	\$ 191,019	\$ 0	\$ (30,274)	\$ 160,745	\$ 30,882
HB264, Energy Conservation Improvement bond, 4% interest rate, due 7/15/2020	508,043	0	(27,026)	481,017	28,124
Automotive Technology Equipment Bond, 3.5% interest rate, due 7/15/2010	137,741	0	(30,599)	107,142	31,684
Capital Lease Payable	2,122	0	(595)	1,527	646
Compensated Absences	<u>296,679</u>	<u>0</u>	<u>(68,432)</u>	<u>228,247</u>	<u>0</u>
Total	<u><u>\$ 1,135,604</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (156,926)</u></u>	<u><u>\$ 978,678</u></u>	<u><u>\$ 91,336</u></u>

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

On July 15, 2005, the School District issued \$160,000 of general obligation bonds for the purpose of acquiring and installing equipment to be used in the automotive technology program. The bonds mature on July 15, 2012 and carry an interest rate of 3.5 percent.

On July 15, 2005, the School District issued \$527,619 of general obligation bonds for the purpose of acquiring and installing energy conservation improvements. The bonds mature on July 15, 2020 and carry an interest rate of 4 percent.

The loans and bonds will be repaid with tax revenue from the permanent improvement fund. The capital lease will be repaid from the general fund. Compensated absences will be paid from the fund which the employees' salaries are paid.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 7 - Long-Term Obligations (Continued)

Year Ending, June 30,	Bonds		OWDA Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 59,808	\$ 22,159	\$ 30,882	\$ 3,061	\$ 90,690	\$ 25,220
2009	62,074	19,894	31,503	2,440	93,577	22,334
2010	64,425	17,542	32,136	1,808	96,561	19,350
2011	40,370	15,331	32,782	1,161	73,152	16,492
2012	32,978	13,969	33,442	502	66,420	14,471
2013-2017	186,095	48,639	0	0	186,095	48,639
2018-2021	142,409	10,166	0	0	142,409	10,166
	<u>\$ 588,159</u>	<u>\$ 147,700</u>	<u>\$ 160,745</u>	<u>\$ 8,972</u>	<u>\$ 748,904</u>	<u>\$ 156,672</u>

Note 8 - Capital Leases

In prior years, the School District entered into capitalized leases for the acquisition of a copier. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures within the major general fund in the basic financial statements for the governmental funds.

General capital assets, consisting of copiers, have been capitalized in the statement of net assets in the amount of \$3,055. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal payments in fiscal year 2007 totaled \$595 in the general and capital projects funds.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2007:

Year ending June 30,	2008	Capital Leases
		\$ 744
	2009	744
	2010	186
Minimum lease payments		<u>1,674</u>
Less: Amount representing interest		<u>(147)</u>
Present value of minimum lease payments		<u>\$ 1,527</u>

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 9 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are payable annually or semi-annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 become a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Ashland, Holmes, Wayne, Richland, Knox, Lorain and Coshocton Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2007 are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes delinquent taxes outstanding, real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007 was \$561,796 in the general fund, \$87,471 in the permanent improvement fund. The amount available as an advance at June 30, 2006 was \$362,546 in the general fund and \$56,159 in the permanent improvement fund.

Ashland County-West Holmes Joint Vocational School District

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2007

Note 9 - Property Taxes (Continued)

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

There were no new levies passed during the current fiscal year. The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 1,117,772,380	71.55%	\$ 1,142,287,060	72.35%
Commercial Industrial	213,894,070	13.69%	220,782,230	13.99%
Public Utility	62,690	0.00%	89,330	0.01%
Tangible Personal Property	230,604,453	14.76%	215,464,445	13.65%
Total Assessed Value	<u>\$ 1,562,333,593</u>	<u>100.00%</u>	<u>\$ 1,578,623,065</u>	<u>100.00%</u>

Note 10 – Pension Plans

A. School Employees Retirement System (SERS)

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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$103,365, \$94,639 and \$87,621, respectively. The School District has contributed 100 percent for all fiscal years.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 10 – Pension Plans (Continued)

B. State Teachers Retirement System (STRS Ohio)

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 publicly available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$428,261, \$419,446 and \$392,128, respectively; 100 percent has been contributed for each fiscal year.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 10 – Pension Plans (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, a portion of the members of the Board of Education have elected social security, and some have chosen the SERS/STRS system. The School District's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

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

All retirees who participated in the DC and Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$30,590 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 the balance in the Health Care Stabilization Fund was \$4.1 billion. For the fiscal year ended June 30, 2007 net health care costs paid by STRS Ohio were \$265,558,000 and STRS had 122,934 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of .01 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay has been established as \$35,800. For the School District, the amount to fund health care benefits, including surcharge, during the 2007 fiscal year equaled \$34,782.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2007

Note 11 - Postemployment Benefits (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006, (the latest information available), were \$158,751,207 and the target level was \$295.6 million, which is about 221 percent of next year's projected net health care costs of \$133,775,656. 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 percent of estimated annual net claim costs. SERS has approximately 59,492 participants currently receiving health care benefits.

Note 12 - Interfund Activity

A. Interfund Balances

Interfund balances at June 30, 2007 consist of the following:

	Interfund Receivables	Interfund Payables
General Fund	\$ 18,895	\$ 0
Adult Education	10,746	0
Vocational Education Enhancement	0	2,666
Miscellaneous State Grants	0	15,750
Title V	0	479
Adult Basic Education	0	1,746
Vocational Education - Carl Perkins	0	9,000
 Total	 \$ 29,641	 \$ 29,641

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances are expected to be repaid in fiscal year 2008 once the anticipated revenues are received.

B. Interfund Transfers

During the fiscal year, the general fund transferred \$19,750 to the termination benefits fund and \$17,500 to the food service fund to provide additional resources for current operations.

Note 13 – 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 fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

Ashland County-West Holmes Joint Vocational School District

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2007

Note 13 – Set-Asides (Continued)

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2006	\$ 0	\$ 0
Current Year Set-aside Requirement	58,277	58,277
Current Year Offsets	(204,896)	(204,896)
Qualifying Disbursements	<u>0</u>	<u>0</u>
Totals	<u>\$ (146,619)</u>	<u>\$ (146,619)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$ 0</u>	<u>\$ 0</u>
Set-aside Reserve Balance as of June 30, 2007	<u>\$ 0</u>	<u>\$ 0</u>

The School District had offsets during the fiscal year that reduced the textbook and capital acquisition set-aside amounts below zero. This amount may not be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for the two set-asides at the end of the fiscal year was \$-0-.

Note 14 - Risk Management

A. General Insurance

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$1,000 per incident on property and equipment. The School District's comprehensive property and casualty policy aggregate limit is approximately \$22,230,568. The School District's vehicle insurance policy limit is \$1,000,000 with a \$500 collision deductible for automobiles and \$1,000 deductible for buses. All board members, administrators, and employees are covered under a School District liability policy.

Additionally, the School District carries a \$2,000,000 Educational Liability Policy. The limits of this coverage are \$1,000,000 per occurrence and \$2,000,000 in aggregate. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

B. Fidelity Bond

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

Ashland County-West Holmes Joint Vocational School District

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2007

Note 14 - Risk Management (Continued)

C. 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. The group presently consists of over 400 school districts. The purchasing pool is administered by The Gates McDonald Co.

D. Employee Health Insurance

The School District is self insured for its medical and dental insurance programs. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$50,000 per employee. The liability for unpaid claims cost of \$174,502 is reported in the internal service fund at June 30, 2007, in accordance with Governmental Accounting Standards Board Statement No. 10. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

Changes in the fund's claims liability for 2006 and 2007 are listed below:

	Balance at Beginning of Year	Claims	Payments	Balance at End of Year
2007	<u>\$ 161,479</u>	<u>\$ 567,181</u>	<u>\$ 554,158</u>	<u>\$ 174,502</u>
2006	<u>\$ 166,893</u>	<u>\$ 454,299</u>	<u>\$ 459,713</u>	<u>\$ 161,479</u>

Note 15 - Jointly Governed Organizations

Tri-County Computer Service Association (TCCSA) - The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based upon per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. The Ashland County-West Holmes Joint Vocational School District paid \$26,396 to the Midland Council of Governments, which serves as fiscal agent, during fiscal year 2007 for services. Financial information can be obtained by contacting the Treasurer at the Midland Council of Governments located in Wooster, Ohio.

Ashland County-West Holmes Joint Vocational School District

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2007

Note 16 – Claims Servicing Pool

Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan (OME-RESA) – The Career Center participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) self-insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan’s business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA’s assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. The Ashland County-West Holmes Joint Vocational School District paid \$32,567 to OME-RESA during fiscal year 2007 for services. All participating members retain their risk and the Plan acts as the claims servicing agent.

Note 17 - Contingencies

A. 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 effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

The School District is not party to any claims or lawsuits that would have a material effect on the basic financial statements.

Note 18 – Subsequent Event

On August 1, 2008, the School District issued \$668,693 of general obligation bonds for the purpose of acquiring, constructing and installing energy conservation improvements. The bonds were issued with a maturity date of August 1, 2020 and an interest rate of 4.67 percent.



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

February 15, 2008

To the Board of Education
Ashland County-West Holmes
Joint Vocational School District
Ashland, OH 44805

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 the Ashland County-West Holmes Joint Vocational School District (the "District") as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a material misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Ashland County-West Holmes
Joint Vocational School District
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
February 15, 2008
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated February 15, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Standard*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 15, 2008.

This report is intended solely for the information and use of management and the Board of Education and is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

ASHLAND COUNTY- WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

ASHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 29, 2008**