

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

June 30, 2008



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ashland County-West Holmes Joint Vocation School District, Ashland County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. 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 Vocation School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 2, 2009

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

JUNE 30, 2008

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

JUNE 30, 2008

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

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

December 5, 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, 2008, 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, 2008, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Adult Education Fund, and the Miscellaneous Federal Grants 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 December 5, 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 required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, 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, 2008

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, 2008. 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 2008 are as follows:

- In total, net assets increased \$728,146.
- General revenues accounted for \$5,586,733 in revenue or 72.9 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2,068,194 or 27.1 percent of total revenues of \$7,654,927.
- The School District had \$6,926,781 in expenses related to governmental activities; only \$2,068,194 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 \$5,586,733 were adequate to provide for these programs.
- Outstanding debt increased from \$750,431 in 2007 to \$1,292,736 during 2008.
- Among major funds, the general fund had \$5,491,462 in revenues and other financing sources and \$5,007,589 in expenditures and other financing uses. During fiscal year 2008, the general fund balance increased \$483,873 from \$2,891,947 to \$3,375,820.

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, 2008

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 2008?" 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 include 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, the adult education fund and the miscellaneous federal grants 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, 2008

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 23 and 24. 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 2008 compared to 2007:

(Table 1)
Net Assets

	Governmental Activities	
	2008	2007
Assets:		
Current and Other Assets	\$ 8,400,290	\$ 7,484,076
Capital Assets	4,570,437	4,067,240
Total Assets	12,970,727	11,551,316
Liabilities:		
Long-Term Liabilities	1,496,792	978,678
Other Liabilities	3,279,578	3,106,427
Total Liabilities	4,776,370	4,085,105
Net Assets:		
Invested in Capital Assets		
Net of Related Debt	3,277,701	3,316,809
Restricted	332,363	309,883
Unrestricted	4,584,293	3,839,519
Total Net Assets	\$ 8,194,357	\$ 7,466,211

Total assets increased by \$1,419,411. There was an increase of approximately \$922,000 in pooled cash and cash equivalents, which accounts for the majority of the increase in current and other assets. An increase of \$503,197 in total capital assets reflects additional purchases exceeding depreciation. Total liabilities increased by \$691,265, which was primarily a result of new debt issued in the amount of \$668,781.

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

Table 2 shows the changes in net assets for fiscal years 2008 and 2007. 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	
	2008	2007
Revenues:		
<i>Program Revenues:</i>		
Charges for Services	\$ 633,163	\$ 772,045
Operating Grants	1,363,428	1,022,988
Capital Grants	71,603	55,151
<i>General Revenue:</i>		
Property Taxes	2,660,766	3,311,678
Grants and Entitlements	2,685,381	2,506,948
Other	240,586	250,230
<i>Total Revenues</i>	<u>7,654,927</u>	<u>7,919,040</u>
Program Expenses:		
Instruction	4,571,302	4,212,356
<i>Support Services:</i>		
Pupil and Instructional Staff	311,175	338,115
Board of Education, Administration, Fiscal and Business	1,104,605	1,032,780
Operation and Maintenance	553,856	539,346
Pupil Transportation	3,870	11,007
Central	25,453	38,956
Operation of Non-Instructional Services	290,684	259,902
Extracurricular Activities	12,997	5,866
Interest and Fiscal Charges	52,839	27,483
<i>Total Expenses</i>	<u>6,926,781</u>	<u>6,465,811</u>
Increase in Net Assets	<u>\$ 728,146</u>	<u>\$ 1,453,229</u>

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

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 \$2,660,766 in 2008. With the combination of taxes and intergovernmental revenues funding over 97 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 2008 to 2007 have been made in Table 3.

(Table 3)
Governmental Activities

	Total Cost of Service 2008	Total Cost of Service 2007	Net Cost of Service 2008	Net Cost of Service 2007
Instruction	\$ 4,571,302	\$ 4,212,356	\$ (2,801,446)	\$ (2,598,905)
Support Services:				
Pupil and Instructional Staff	311,175	338,115	(253,525)	(279,927)
Board of Education, Administration				
Fiscal and Business	1,104,605	1,032,780	(1,098,046)	(1,030,480)
Operation and Maintenance	553,856	539,346	(475,625)	(532,646)
Pupil Transportation	3,870	11,007	(3,870)	(11,007)
Central	25,453	38,956	(8,238)	(20,553)
Operation of Non-Instructional Services	290,684	259,902	(152,001)	(108,760)
Extracurricular Activities	12,997	5,866	(12,997)	(5,866)
Interest and Fiscal Charges	52,839	27,483	(52,839)	(27,483)
Total	\$ 6,926,781	\$ 6,465,811	\$ (4,858,587)	\$ (4,615,627)

Instruction and student support services comprise 70.5 percent of governmental program expenses. Interest, fiscal and administration charges were 16.7 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 to the School District. Pupil transportation and the operation and maintenance of plant account for 8 percent of governmental program expenses. Central expenses account for .4 percent of program expenses. Operation of non-instructional services, consisting primarily of food service operations and community services, comprise 4.2 percent of governmental program expenses. Extracurricular activities account for .2 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, 2008

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 \$7,546,607 (exclusive of other financing sources) and expenditures of \$7,627,941 (exclusive of other financing uses).

The net change in fund balance for the year was most significant in the general fund. In fiscal year 2008, the net change in fund balance in the general fund was \$483,873. The net change in the adult education fund was an increase of \$156,272, the net change in the permanent improvement fund was an increase of \$11,864 and the net change in the miscellaneous federal grants fund was a decrease of \$97,671.

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 2008, 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 \$5,819,834 and actual revenues were \$5,689,401. Of this \$130,433 decrease, most was due to actual receipts for property tax and intergovernmental revenue being less than the final budget amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$5,344,995 were increased to \$5,492,791 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$5,319,816, which was \$172,975 lower than final budget appropriations with expenditures for support services, primarily operation and maintenance and non-instructional services, accounting for the majority of this decrease.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$4,570,437 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 2008 balances compared with 2007.

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

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

	Governmental Activities	
	2008	2007
Land	\$ 50,000	\$ 50,000
Land Improvements	1,819	3,580
Buildings and Improvements	4,068,897	3,483,832
Infrastructure	14,211	15,232
Furniture and Equipment	353,896	512,764
Vehicles	919	1,832
Construction in Progress	80,695	0
Totals	\$ 4,570,437	\$ 4,067,240

The \$503,197 increase in capital assets was attributable to additional purchases (including construction in progress) exceeding depreciation expense.

Debt Administration

At June 30, 2008, the School District had \$1,292,736 in outstanding debt and leases with \$134,250 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	
	2008	2007
OWDA Loan	\$ 129,862	\$ 160,745
General Obligation Bonds	1,161,992	588,159
Capital Leases	882	1,527
Totals	\$ 1,292,736	\$ 750,431

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 four percent.

On July 1, 2007, the School District issued \$668,781 of general obligation bonds for the purpose of acquiring and installing some additional energy conservation improvements. The bonds mature on July 1, 2020 and carry an interest rate of 4.67 percent.

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

Current Financial Related Activities

The Ashland County-West Holmes Joint Vocational School District ended FY2008 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 2007. This stabilized the finances of the district for the FY2008 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 35% of revenues for governmental activities for the Ashland County-West Holmes Joint Vocational School District in fiscal year 2008.

The 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. Real estate tax revenue was \$64,000 less than the County Auditor certified for FY2008. Since FY2003, the District has lost \$86,270,370 in tangible personal property valuation. This translates to a loss of \$310,573 in General Fund 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 \$198,564 in FY2008. 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".

In February 2008, the State of Ohio notified the District that the valuation appeal by Columbia Gas had been denied by the Ohio Supreme Court. This action freed up \$209,490 for the General and Permanent Improvement Funds that the District had held in reserve if the case had been successful for Columbia Gas. Obviously, this has added to the financial strength of the District since these funds are now available for expenditure.

As the preceding information shows, the 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 District have 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 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 District ended the year with a \$418,000 larger positive balance in the General Fund.

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

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 increased dramatically in FY2006 and then fell in FY2007 and FY2008 by approximately 40 students. The foundation amount received stayed comparable between FY2006 and FY2008 due to the transitional aid (“the guarantee”) received which is intended to keep the foundation revenue at the prior year level. Time was spent evaluating the viability of the current programs and investigating the start-up of new programs. The District implemented a BioScience program in FY2008 and planned to implement a health and sports fitness program in FY2009. However, enrollment was not sufficient to begin the program in FY2009.

During FY2007, 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 2007. Preliminary results over the first year showed enough savings to consider retro fitting the lighting system, which was started in FY2008.

The Federal Government awarded a \$500,000 Small Business Administration Grant to the BioScience Consortium in FY2008. The Career Center was designated as the fiscal agent. The majority of the grant covers the construction of a BioScience lab within the school building. The demolition started in May 2008 with construction proceeding through September 2008. The balance of the grant will be completed in FY2009. The new lab provides an excellent learning environment and will be a useful tool for the recruitment of students.

The State of Ohio has been providing “career-technical weighted funds” to career centers. This additional source of revenue is to acknowledge that it costs more to educate a career-technical student than a regular comprehensive high school student. In FY2006, 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 percent 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 relatively conservative in calculating the items allowable until clarification has been received. There were no unspent career-technical weighted funds from FY2008.

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, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 4,457,478
Cash and Cash Equivalents with Fiscal Agent	709,350
Receivables:	
Taxes	2,959,804
Accounts	45,515
Intergovernmental	144,029
Prepaid Items	80,208
Inventory Held For Resale	3,906
Nondepreciable Capital Assets	130,695
Depreciable Capital Assets (Net)	4,439,742
<i>Total Assets</i>	12,970,727
Liabilities	
Accounts Payable	23,561
Contracts Payable	80,695
Accrued Wages and Benefits	495,117
Accrued Vacation Payable	75,787
Intergovernmental Payable	74,631
Deferred Revenue	2,434,499
Accrued Interest Payable	4,334
Claims Payable	90,954
Long Term Liabilities:	
Due Within One Year	153,161
Due in More Than One Year	1,343,631
<i>Total Liabilities</i>	4,776,370
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,277,701
Restricted for:	
Capital Projects	309,933
Other Purposes	22,430
Unrestricted	4,584,293
<i>Total Net Assets</i>	\$ 8,194,357

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, 2008

	Expenses	Program Revenues			Net (Expense) and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 506,550	\$ 0	\$ 59,743	\$ 0	\$ (446,807)
Special	262,311	0	352,148	0	89,837
Vocational	2,724,340	103,139	108,263	0	(2,512,938)
Adult Continuing	1,077,116	430,116	716,447	0	69,447
Other	985	0	0	0	(985)
Support Services:					
Pupils	157,028	0	37,338	0	(119,690)
Instructional Staff	154,147	0	20,312	0	(133,835)
Board of Education	98,223	0	0	0	(98,223)
Administration	618,264	0	6,559	0	(611,705)
Fiscal	384,129	0	0	0	(384,129)
Business	3,989	0	0	0	(3,989)
Operation and Maintenance of Plant	553,856	2,955	3,673	71,603	(475,625)
Pupil Transportation	3,870	0	0	0	(3,870)
Central	25,453	0	17,215	0	(8,238)
Operation of Non-instructional Services:					
Food Service Operations	119,033	54,018	41,730	0	(23,285)
Other Non-Instructional Services	171,651	42,935	0	0	(128,716)
Extracurricular Activities	12,997	0	0	0	(12,997)
Interest and Fiscal Charges	52,839	0	0	0	(52,839)
<i>Total Governmental Activities</i>	<u>\$ 6,926,781</u>	<u>\$ 633,163</u>	<u>\$ 1,363,428</u>	<u>\$ 71,603</u>	<u>(4,858,587)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					2,302,062
Capital Outlay					358,704
Gifts and Donations					315
Grants and Entitlements not Restricted to Specific Programs					2,685,381
Investment Earnings					162,568
Miscellaneous					77,703
<i>Total General Revenues</i>					<u>5,586,733</u>
Change in Net Assets					728,146
<i>Net Assets Beginning of Year</i>					<u>7,466,211</u>
<i>Net Assets End of Year</i>					<u>\$ 8,194,357</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, 2008*

	General	Permanent Improvement	Adult Education	Miscellaneous Federal Grants	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 3,228,551	\$ 248,529	\$ 646,672	\$ 196,357	\$ 137,369	\$ 4,457,478
Receivables:						
Taxes	2,558,517	401,287	0	0	0	2,959,804
Accounts	40,954	0	4,063	0	498	45,515
Interfund	212,262	0	0	0	0	212,262
Intergovernmental	29,582	0	765	85,336	28,346	144,029
Prepaid Items	60,922	0	7,779	0	11,507	80,208
Inventory Held For Resale	0	0	0	0	3,906	3,906
<i>Total Assets</i>	<u>\$ 6,130,788</u>	<u>\$ 649,816</u>	<u>\$ 659,279</u>	<u>\$ 281,693</u>	<u>\$ 181,626</u>	<u>\$ 7,903,202</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 13,299	\$ 2,217	\$ 3,177	\$ 3,281	\$ 1,587	\$ 23,561
Contracts Payable	0	3,172	0	77,523	0	80,695
Accrued Wages and Benefits	432,863	0	29,773	0	32,481	495,117
Interfund Payable	0	0	0	212,262	0	212,262
Intergovernmental Payable	62,505	0	4,973	0	7,153	74,631
Deferred Revenue	2,246,301	352,392	0	85,336	6,329	2,690,358
<i>Total Liabilities</i>	<u>2,754,968</u>	<u>357,781</u>	<u>37,923</u>	<u>378,402</u>	<u>47,550</u>	<u>3,576,624</u>
Fund Balances						
Reserved for Encumbrances	101,965	57,457	0	114,877	0	274,299
Reserved for Property Taxes	312,216	48,895	0	0	0	361,111
Reserved for Termination Benefits	0	0	0	0	94,157	94,157
Unreserved:						
Designated for Budget Stabilization	72,189	0	0	0	0	72,189
Undesignated, Reported in:						
General Fund	2,889,450	0	0	0	0	2,889,450
Special Revenue Funds	0	0	621,356	(211,586)	39,919	449,689
Capital Projects Fund	0	185,683	0	0	0	185,683
<i>Total Fund Balances</i>	<u>3,375,820</u>	<u>292,035</u>	<u>621,356</u>	<u>(96,709)</u>	<u>134,076</u>	<u>4,326,578</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 6,130,788</u>	<u>\$ 649,816</u>	<u>\$ 659,279</u>	<u>\$ 281,693</u>	<u>\$ 181,626</u>	<u>\$ 7,903,202</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, 2008

Total Governmental Fund Balances	\$	4,326,578
 <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		4,570,437
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Grants	\$ 91,665	
Delinquent Property Taxes	164,194	255,859
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.		618,396
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is not recorded.		(4,334)
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	(75,787)	
Compensated Absences	(204,056)	
Bonds Payable	(1,161,992)	
Loans Payable	(129,862)	
Capital Lease Payable	(882)	(1,572,579)
<i>Net Assets of Governmental Activities</i>	\$	8,194,357

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, 2008

	General	Permanent Improvement	Adult Education	Miscellaneous Federal Grants	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 2,287,762	\$ 356,349	\$ 0	\$ 0	\$ 0	\$ 2,644,111
Intergovernmental	2,881,071	71,603	613,954	0	461,104	4,027,732
Investment Income	150,755	11,677	0	0	136	162,568
Tuition and Fees	22,571	0	429,285	0	42,935	494,791
Rentals	2,955	0	0	0	0	2,955
Charges for Services	80,568	0	0	0	54,849	135,417
Contributions and Donations	315	0	750	0	265	1,330
Miscellaneous	65,465	0	4,552	0	7,686	77,703
<i>Total Revenues</i>	<u>5,491,462</u>	<u>439,629</u>	<u>1,048,541</u>	<u>0</u>	<u>566,975</u>	<u>7,546,607</u>
Expenditures						
Current:						
Instruction:						
Regular	403,930	3,879	0	0	57,152	464,961
Special	179,974	0	0	19,799	63,825	263,598
Vocational	2,412,847	37,383	0	77,523	120,530	2,648,283
Adult Continuing	96,414	0	892,269	0	85,582	1,074,265
Other	961	0	0	24	0	985
Support Services:						
Pupils	125,515	0	0	0	33,588	159,103
Instructional Staff	128,647	645	0	0	22,683	151,975
Board of Education	98,223	0	0	0	0	98,223
Administration	614,130	2,323	0	325	6,373	623,151
Fiscal	363,564	20,876	0	0	0	384,440
Business	3,989	0	0	0	0	3,989
Operation and Maintenance of Plant	382,267	73,886	0	0	3,673	459,826
Pupil Transportation	2,543	0	0	0	414	2,957
Central	13,729	0	0	0	18,604	32,333
Operation of Non-Instructional Services						
Food Service Operations	0	0	0	0	116,906	116,906
Other Non-Instructions Services	128,329	0	0	0	43,322	171,651
Extracurricular Activities	12,997	0	0	0	0	12,997
Capital Outlay	0	778,517	0	0	0	778,517
Debt Service:						
Principal Retirement	645	125,831	0	0	0	126,476
Interest and Fiscal Charges	99	53,206	0	0	0	53,305
<i>Total Expenditures</i>	<u>4,968,803</u>	<u>1,096,546</u>	<u>892,269</u>	<u>97,671</u>	<u>572,652</u>	<u>7,627,941</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>522,659</u>	<u>(656,917)</u>	<u>156,272</u>	<u>(97,671)</u>	<u>(5,677)</u>	<u>(81,334)</u>
Other Financing Sources (Uses)						
General Obligation Bonds Issued	0	668,781	0	0	0	668,781
Transfers In	0	0	0	0	38,786	38,786
Transfers Out	(38,786)	0	0	0	0	(38,786)
<i>Total Other Financing Sources (Uses)</i>	<u>(38,786)</u>	<u>668,781</u>	<u>0</u>	<u>0</u>	<u>38,786</u>	<u>668,781</u>
<i>Net Change in Fund Balances</i>	483,873	11,864	156,272	(97,671)	33,109	587,447
<i>Fund Balances Beginning of Year</i>	<u>2,891,947</u>	<u>280,171</u>	<u>465,084</u>	<u>962</u>	<u>100,967</u>	<u>3,739,131</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,375,820</u>	<u>\$ 292,035</u>	<u>\$ 621,356</u>	<u>\$ (96,709)</u>	<u>\$ 134,076</u>	<u>\$ 4,326,578</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, 2008*

Net Change in Fund Balances - Total Governmental Funds	\$	587,447
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Asset Additions	\$ 820,403	
Current Year Depreciation	<u>(277,083)</u>	543,320
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(40,123)
Other revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	91,665	
Delinquent Property Taxes	<u>16,655</u>	108,320
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	125,831	
Capital Lease	<u>645</u>	126,476
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.		
		466
Proceeds of bonds are recorded as revenues in the funds, however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(668,781)
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	(10,937)	
Compensated Absences	<u>24,191</u>	13,254
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 loss of the internal service fund is reported with governmental activities.		
		<u>57,767</u>
<i>Change in Net Assets of Governmental Activities</i>	<u>\$</u>	<u>728,146</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
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 2,655,651	\$ 2,655,651	\$ 2,537,342	\$ (118,309)
Intergovernmental	2,791,346	2,791,346	2,851,489	60,143
Investment Income	180,000	180,000	150,755	(29,245)
Tuition and Fees	23,600	23,600	22,551	(1,049)
Rentals	3,000	3,000	2,955	(45)
Charges for Services	99,200	99,200	80,568	(18,632)
Contributions and Donations	250	250	315	65
Miscellaneous	23,892	23,892	22,712	(1,180)
<i>Total Revenues</i>	<u>5,776,939</u>	<u>5,776,939</u>	<u>5,668,687</u>	<u>(108,252)</u>
Expenditures				
Current:				
Instruction:				
Regular	406,375	407,971	404,724	3,247
Special	178,828	183,841	178,838	5,003
Vocational	2,445,934	2,533,216	2,501,901	31,315
Adult Continuing	94,221	97,661	96,266	1,395
Other	0	1,200	961	239
Support Services:				
Pupils	122,767	125,808	124,416	1,392
Instructional Staff	173,435	134,483	128,426	6,057
Board of Education	127,434	130,760	118,030	12,730
Administration	630,288	629,321	619,512	9,809
Fiscal	355,875	361,673	356,014	5,659
Business	7,193	4,492	3,989	503
Operation and Maintenance of Plant	556,873	395,484	377,076	18,408
Pupil Transportation	15,461	13,782	2,541	11,241
Central	17,590	17,040	14,006	3,034
Operation of Non-Instructional Services	144,000	156,500	129,073	27,427
Extracurricular Activities	4,935	13,723	12,995	728
<i>Total Expenditures</i>	<u>5,281,209</u>	<u>5,206,955</u>	<u>5,068,768</u>	<u>138,187</u>
<i>Excess of Revenues Over Expenditures</i>	<u>495,730</u>	<u>569,984</u>	<u>599,919</u>	<u>29,935</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	500	500	635	135
Refund of Prior Year Expenditures	20,000	20,000	1,184	(18,816)
Advances In	22,395	22,395	18,895	(3,500)
Advances Out	(35,000)	(247,050)	(212,262)	34,788
Transfers Out	(28,786)	(38,786)	(38,786)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(20,891)</u>	<u>(242,941)</u>	<u>(230,334)</u>	<u>12,607</u>
<i>Net Change in Fund Balance</i>	474,839	327,043	369,585	42,542
<i>Fund Balance Beginning of Year</i>	2,737,540	2,737,540	2,737,540	0
Prior Year Encumbrances Appropriated	9,587	9,587	9,587	0
<i>Fund Balance End of Year</i>	<u>\$ 3,221,966</u>	<u>\$ 3,074,170</u>	<u>\$ 3,116,712</u>	<u>\$ 42,542</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 540,866	\$ 540,866	\$ 626,882	\$ 86,016
Tuition and Fees	490,700	490,700	439,651	(51,049)
Contributions and Donations	1,750	1,750	750	(1,000)
Miscellaneous	510	510	323	(187)
<i>Total Revenues</i>	<u>1,033,826</u>	<u>1,033,826</u>	<u>1,067,606</u>	<u>33,780</u>
Expenditures				
Current:				
Instruction:				
Adult Continuing	1,074,611	1,074,611	893,825	180,786
<i>Total Expenditures</i>	<u>1,074,611</u>	<u>1,074,611</u>	<u>893,825</u>	<u>180,786</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(40,785)</u>	<u>(40,785)</u>	<u>173,781</u>	<u>214,566</u>
Other Financing Sources (Uses)				
Transfers In	352,528	352,528	474,620	122,092
Transfers Out	(565,389)	(565,389)	(474,621)	90,768
Proceeds from Sale of Assets	2,000	2,000	2,000	0
Refund of Prior Year Expenditures	900	900	964	64
Advances In	10,746	10,746	10,746	0
Advances Out	(10,000)	(10,000)	0	10,000
<i>Total Other Financing Sources (Uses)</i>	<u>(209,215)</u>	<u>(209,215)</u>	<u>13,709</u>	<u>222,924</u>
<i>Net Change in Fund Balance</i>	<u>(250,000)</u>	<u>(250,000)</u>	<u>187,490</u>	<u>437,490</u>
<i>Fund Balance Beginning of Year</i>	<u>459,185</u>	<u>459,185</u>	<u>459,185</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 209,185</u>	<u>\$ 209,185</u>	<u>\$ 646,675</u>	<u>\$ 437,490</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
 Miscellaneous Federal Grant Fund
 For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 0	\$ 41,783	\$ 0	\$ (41,783)
Expenditures				
Current:				
Instruction:				
Regular	0	15,000	0	15,000
Special	0	26,733	20,200	6,533
Vocational	0	192,000	192,000	0
Other	0	50	24	26
Support Services:				
Administration	962	962	325	637
<i>Total Expenditures</i>	962	234,745	212,549	22,196
<i>Excess of Revenues Under Expenditures</i>	(962)	(192,962)	(212,549)	(19,587)
Other Financing Sources				
Advances In	0	192,000	212,262	20,262
<i>Net Change in Fund Balance</i>	(962)	(962)	(287)	675
<i>Fund Balance Beginning of Year</i>	962	962	962	0
<i>Fund Balance End of Year</i>	\$ 0	\$ 0	\$ 675	\$ 675

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, 2008

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Cash and Cash Equivalents with Fiscal Agent	<u>\$ 709,350</u>
Liabilities	
Claims Payable	<u>90,954</u>
Net Assets	
Unrestricted	<u><u>\$ 618,396</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, 2008

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	\$ 782,514
Operating Expenses	
Claims	613,485
Purchased Services	142,400
<i>Total Operating Expenses</i>	<u>755,885</u>
<i>Operating Income</i>	<u>26,629</u>
Non-Operating Revenue	
Interest	<u>31,138</u>
<i>Change in Net Assets</i>	57,767
<i>Net Assets Beginning of Year</i>	<u>560,629</u>
<i>Net Assets End of Year</i>	<u><u>\$ 618,396</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, 2008

	Governmental Activities - Internal Service Fund
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows From Operating Activities	
Cash Received from Charges for Services	\$ 782,514
Cash Paid for Services	(142,400)
Cash Paid for Claims	<u>(697,033)</u>
<i>Net Cash Used For Operating Activities</i>	<u>(56,919)</u>
Cash Flows From Investing Activities	
Interest on Investments	<u>31,138</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(25,781)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>735,131</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 709,350</u></u>
Reconciliation of Operating Income to Net Cash Used For Operating Activities	
Operating Income	\$ 26,629
Adjustment:	
Decrease in Claims Payable	<u>(83,548)</u>
<i>Net Cash Used For Operating Activities</i>	<u><u>\$ (56,919)</u></u>

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, 2008

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 28,063	\$ 30,226
Intergovernmental Receivable	0	1,333
<i>Total Assets</i>	28,063	\$ 31,559
Liabilities		
Due to Students	0	\$ 31,559
Net Assets		
Held in Trust for Scholarships	\$ 28,063	

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, 2008

	Private Purpose Trust
	Scholarship
Additions	
Gifts and Contributions	\$ 300
Interest	732
<i>Total Additions</i>	1,032
Deductions	
Scholarships Awarded	1,102
<i>Change in Net Assets</i>	(70)
<i>Net Assets Beginning of Year</i>	28,133
<i>Net Assets End of Year</i>	\$ 28,063

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, 2008

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, 2007 was 323. The School District employs 56 certificated and 24 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) Self Insurance Plan, 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, 2008

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, 2008

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.

Miscellaneous Federal Grants Fund - The miscellaneous federal grants fund accounts for various monies received through state agencies from the federal government or directly from the federal government which are not classified elsewhere. This fund specifically accounts for a Small Business Administration grant and a Small Rural School grant.

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, 2008

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, 2008

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, 2008, but which were levied to finance fiscal year 2009 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, 2008

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 2008, 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, 2008.

Following Ohio statues, 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 2008 amounted to \$150,755, which includes \$55,846 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, 2008, 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, 2008

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	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, 2008

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.

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, 2008

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, 2008, 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 2008.

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, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

S. Changes in Accounting Principles

For the year ended 2008, the School District has implemented GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”, GASB Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*”, GASB Statement No. 49, “*Accounting and Financial Reporting for Pollution Remediation Obligations*”, and GASB Statement No. 50, “*Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27.*”

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, “*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*”, and GASB Statement No. 27, “*Accounting for Pensions by State and Local Governmental Employers*”, to conform with requirements of GASB Statement No. 43, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, and GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 3 – Fund Deficits

GAAP basis fund balances at June 30, 2008 included the following individual fund deficits:

	Deficit
<i>Major Special Revenue Fund:</i>	
Miscellaneous Federal Grant Fund	\$ 96,709
<i>Nonmajor Special Revenue Funds:</i>	
Educational Management Information System	190
Adult Education Full Service	566
Vocational Education Planning Development	1,755
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, the adult education fund and the miscellaneous federal grants 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, 2008

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, the adult education fund and the miscellaneous federal grants fund:

	<u>General</u>	<u>Adult Education</u>	<u>Miscellaneous Federal Grants</u>
GAAP Basis	\$ 483,873	\$ 156,272	\$ (97,671)
Net Adjustments for Revenue Accruals	179,044	496,649	0
Advances In	18,895	10,746	212,262
Net Adjustment for Expenditure Accrual	11,874	(476,177)	80,804
Advances Out	(212,262)	0	0
Adjustment for Encumbrances	(111,839)	0	(195,682)
	<u> </u>	<u> </u>	<u> </u>
Budget Basis	<u>\$ 369,585</u>	<u>\$ 187,490</u>	<u>\$ (287)</u>

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, 2008

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, 2008

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 2008, 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 \$3,165,720. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2008, \$3,044,545 of the School District's bank balance of \$3,332,444 was exposed to custodial risk as discussed above, while \$287,899 was covered by the Federal Deposit Insurance Corporation.

Funds Held by Fiscal Agent

The School District participates in the Ohio Mid-Eastern Regional Education Service Agency School Employees Insurance Consortium for employee benefits. The amount held at fiscal year-end for the employee benefit self-insurance fund was \$709,350. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 5 – Deposits and Investments (Continued)

Investments

As of June 30, 2008, 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	\$ 425,276	\$ 425,276
Repurchase Agreements	924,771	924,770
Total	<u>\$ 1,350,047</u>	<u>\$ 1,350,046</u>

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, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
STAROhio	\$ 425,276	31.50%
Repurchase Agreement	924,771	68.50%
Total	<u>\$ 1,350,047</u>	<u>100.00%</u>

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 6 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Deletions	Transfers	Balance June 30, 2008
Governmental Activities					
<i>Capital Assets not being depreciated</i>					
Land	\$ 50,000	\$ 0	\$ 0	\$ 0	\$ 50,000
Construction in Progress	0	80,695	0	0	80,695
<i>Total Capital Assets not being depreciated</i>	50,000	80,695	0	0	130,695
<i>Capital Assets being depreciated</i>					
Land Improvements	131,437	0	0	0	131,437
Buildings and Improvements	7,070,702	709,436	(38,244)	0	7,741,894
Infrastructure	51,056	0	0	0	51,056
Furniture and Equipment	2,135,909	30,272	(91,287)	0	2,074,894
Vehicles	12,825	0	0	0	12,825
<i>Total Capital Assets being depreciated</i>	9,401,929	739,708	(129,531)	0	10,012,106
<i>Less: Accumulated Depreciation</i>					
Land Improvements	(127,857)	(1,761)	0	0	(129,618)
Buildings and Building Improvements	(3,586,870)	(157,758)	1,020	0	(3,743,608)
Infrastructure	(35,824)	(1,021)	0	0	(36,845)
Furniture and Equipment	(1,623,145)	(115,630)	88,388	0	(1,650,387)
Vehicles	(10,993)	(913)	0	0	(11,906)
<i>Total Accumulated Depreciation</i>	(5,384,689)	(277,083) *	89,408	0	(5,572,364)
<i>Total Capital Assets being depreciated, net</i>	4,017,240	462,625	(40,123)	0	4,439,742
<i>Governmental Activities Capital Assets, Net</i>	\$ 4,067,240	\$ 543,320	\$ (40,123)	\$ 0	\$ 4,570,437

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 46,686
Special	1,291
Vocational	187,476
Adult/Continuing	9,491
Support Services:	
Pupils	205
Instructional Staff	1,175
Administration	1,047
Fiscal	1,000
Operation and Maintenance of Plant	25,064
Pupil Transportation	913
Food Service Operations	2,735
<i>Total Depreciation Expense</i>	\$ 277,083

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 7 - Long-Term Obligations

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

	Outstanding June 30, 2007	Additions	Reductions	Outstanding June 30, 2008	Due Within One Year
OWDA Loan, 2% interest rate, due 7/01/2012	\$ 160,745	\$ 0	\$ (30,883)	\$ 129,862	\$ 31,503
HB264, Energy Conservation Improvement bond, 4% interest rate, due 7/15/2020	481,017	0	(28,125)	452,892	29,265
Automotive Technology Equipment Bond, 3.5% interest rate, due 7/15/2010	107,142	0	(31,684)	75,458	32,807
HB264, Energy Conservation Improvement bond, 4.67% interest rate, due 7/1/2020	0	668,781	(35,139)	633,642	39,977
Capital Lease Payable	1,527	0	(645)	882	698
Compensated Absences	228,247	0	(24,191)	204,056	18,911
Total	\$ 978,678	\$ 668,781	\$ (150,667)	\$ 1,496,792	\$ 153,161

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.

On August 1, 2007, the School District issued \$668,781 of general obligation bonds for the purpose of additional energy conservation improvements. The bonds mature on July 1, 2020 and carry an interest rate of 4.67 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 adult education fund for employees who salaries are paid from that fund. All other severance payments are paid from the termination benefits fund. In the event the food service funds has funds available, severance payments are made from that fund, otherwise, they are paid from the termination benefits fund.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 7 - Long-Term Obligations (Continued)

Year Ending June 30,	Bonds		OWDA Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 102,049	\$ 48,636	\$ 31,503	\$ 2,440	\$ 133,552	\$ 51,076
2010	106,308	42,378	32,135	1,808	138,443	44,186
2011	84,251	40,169	32,782	1,161	117,033	41,330
2012	78,953	36,713	33,442	502	112,395	37,215
2013	82,486	33,180	0	0	82,486	33,180
2014-2018	471,243	105,895	0	0	471,243	105,895
2019-2021	236,702	12,090	0	0	236,702	12,090
	<u>\$ 1,161,992</u>	<u>\$ 319,061</u>	<u>\$ 129,862</u>	<u>\$ 5,911</u>	<u>\$ 1,291,854</u>	<u>\$ 324,972</u>

Note 8 - Capital Leases

In prior years, the School District entered into a capitalized lease 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 2008 totaled \$645 in the general fund.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2008:

Year ending June 30,		Capital Lease
	2009	\$ 744
	2010	186
Minimum lease payments		<u>930</u>
Less: Amount representing interest		<u>(48)</u>
Present value of minimum lease payments		<u>\$ 882</u>

Ashland County-West Holmes Joint Vocational School District

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2008

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 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 become a lien December 31, 2005, were levied after April 1, 2007 and are collected in 2008 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 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. For 2008, tangible personal property is currently assessed at 6.25 percent for property including inventory. This percentage will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2008 are available to finance fiscal year 2008 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, 2008 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.

Ashland County-West Holmes Joint Vocational School District

Notes to the Basic Financial Statements (Continued)

For the Fiscal Year Ended June 30, 2008

Note 9 - Property Taxes (Continued)

The amount available as an advance at June 30, 2008 was \$312,216 in the general fund and \$48,895 in the permanent improvement fund. The amount available as an advance at June 30, 2007 was \$561,796 in the general fund and \$87,471 in the permanent improvement fund.

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

There were no new levies passed during the current fiscal year. The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 1,142,287,060	72.35%	\$ 1,197,077,660	75.18%
Commercial Industrial	220,782,230	13.99%	225,147,830	14.14%
Public Utility	89,330	0.01%	93,640	0.01%
Tangible Personal Property	215,464,445	13.65%	169,994,754	10.67%
Total Assessed Value	<u>\$ 1,578,623,065</u>	<u>100.00%</u>	<u>\$ 1,592,313,884</u>	<u>100.00%</u>

Note 10 – Defined Benefit 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, disability and survivor benefits; annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

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. 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 contributions to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$112,429, \$103,365 and \$94,639, 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, 2008

Note 10 – Defined Benefit 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 (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. 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, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13 percent. 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.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007, and 2006 were \$442,178, \$428,261 and \$419,446, respectively; 100 percent has been contributed for each fiscal year. Contributions to the DC and Combined Plans for fiscal year 2008 were \$6,094 made by the School District and \$5,804 made by the plan members.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 10 – Defined Benefit Pension Plans (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, 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 DB 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. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The District's contributions for fiscal years ended June 30, 2008, 2007 and 2006 were \$31,584, 30,590 and \$27,765, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the 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 Ohio had 122,934 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68 percent. The District's contributions for the year ended June 30, 2008 were \$5,461, which equaled the required contributions for the year.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 11 - Postemployment Benefits (Continued)

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 3.32 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$36,193, \$34,782 and \$19,842, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

Ashland County-West Holmes Joint Vocational School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

Note 12 - Interfund Activity

A. Interfund Balances

Interfund balances at June 30, 2008 consist of the following:

	Interfund Receivables	Interfund Payables
General Fund	\$ 212,262	\$ 0
Miscellaneous Federal Grants	0	212,262
Total	\$ 212,262	\$ 212,262

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 2009 once the anticipated revenues are received.

B. Interfund Transfers

During the fiscal year, the general fund transferred \$18,786 to the termination benefits fund and \$20,000 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, 2008

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, 2007	\$ 0	\$ 0
Current Year Set-aside Requirement	56,354	56,354
Current Year Offsets	(197,463)	(197,463)
Qualifying Disbursements	<u>0</u>	<u>0</u>
Totals	<u>\$ (141,109)</u>	<u>\$ (141,109)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$ 0</u>	<u>\$ 0</u>
Set-aside Reserve Balance as of June 30, 2008	<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, 2008

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 \$90,954 is reported in the internal service fund at June 30, 2008, 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 2007 and 2008 are listed below:

	Balance at Beginning of Year	Claims	Payments	Balance at end of Year
2008	<u>\$ 174,502</u>	<u>\$ 613,485</u>	<u>\$ 697,033</u>	<u>90,954</u>
2007	<u>\$ 161,479</u>	<u>\$ 567,181</u>	<u>\$ 554,158</u>	<u>\$ 174,502</u>

Note 15 - Jointly Governed Organization

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 \$26,543 to the Midland Council of Governments, which serves as fiscal agent, during fiscal year 2008 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, 2008

Note 16 – Claims Servicing Pool

Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan (OME-RESA) – The School District 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 \$41,031 to OME-RESA during fiscal year 2008 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, 2008.

B. Litigation

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



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
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December 5, 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 Ashland County-West Holmes Joint Vocational School District (the "School District") as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 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 School 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 School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that have been reported to management of the School District in a separate letter dated December 5, 2008.

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. We consider the deficiency described in the accompanying schedule of findings and responses, as item 2008-001, to be a significant deficiency in internal control over financial reporting.

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
December 5, 2008
Page 2

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 5, 2008.

The School District's response to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the School District's response and accordingly, we express no opinion on it.

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.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL DISTRICT
ASHLAND COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	Yes
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No

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

SIGNIFICANT DEFICIENCY

FINDING NUMBER	2008-001
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During our testing of the adult education department we noted there was a lack of segregation of duties between the receipt function and entering the information into the accounts receivable system (Quickbooks). In addition we noted the adult education department issues a duplicate receipt for all moneys received, however, the duplicate receipts are not pre-numbered. During our testing we reviewed the receipt books for FY08 and noted one page was missing out of one of the receipt books. Finally, there is no reconciliation performed between the receipts entered in Quickbooks and the receipts entered into the general ledger of the School District. This process subjects the School District to the possibility of adult education receipts not being deposited with the Treasurer.

We recommend the adult education department issue pre-numbered duplicate receipts and establish a process to reconcile the amounts posted to Quickbooks and the amount posted to the School District's general ledger.

Client's Response

The Adult Education Financial Records Secretary will enter all receipts given to the Treasurer's Office on the daily deposit into the Quickbooks program on a daily basis. A report of receipts entered into the Quickbooks program will be printed and attached to the verified copy of the deposit given to the Treasurer's Office. At the end of each month, the Adult Education Financial Records Secretary will produce a monthly report from the Quickbooks program that will be given to the Adult Education Director or his designee to corroborate with the monthly reports that are given to him by the Treasurer.



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
FEBRUARY 17, 2009**