

**Ashland County-West Holmes
Joint Vocational School District**

Audited Financial Statements

June 30, 2005



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Ashland County-West Holmes Joint Vocational School District, Ashland County, prepared by Rea & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 30, 2006

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

JUNE 30, 2005

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

March 28, 2006

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, 2005, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Ashland County-West Holmes Joint Vocational School District, Ashland County, Ohio as of June 30, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Adult Education Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 28, 2006, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 read in conjunction with this report in considering the results of our audit.

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

Rea & Associates, Inc.

Ashland County-West Holmes Joint Vocational School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

The discussion and analysis of the Ashland County-West Holmes Joint Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. 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 2005 are as follows:

- In total, net assets increased \$899,173.
- General revenues accounted for \$4,970,091 in revenue or 74.6 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$1,689,659 or 25.4 percent of total revenues of \$6,659,750.
- The School District had \$5,760,577 in expenses related to governmental activities; only \$1,689,659 of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$4,970,091 were adequate to provide for these programs.
- Outstanding debt decreased from \$447,604 to \$326,011 during 2005.
- Among major funds, the general fund had \$4,801,172 in revenues and other financing sources and \$4,007,324 in expenditures and other financing uses. During fiscal year 2005, the general fund balance increased \$793,848 from \$237,435 to \$1,031,283.

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 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

For the Fiscal Year Ended June 30, 2005

(Unaudited)

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 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

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 21 and 22. 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 2005 compared to 2004:

(Table 1)
Net Assets

	Governmental Activities	
	2005	Restated 2004
Assets		
Current and Other Assets	\$ 5,124,848	\$ 3,835,430
Capital Assets	3,528,094	3,691,981
Total Assets	8,652,942	7,527,411
Liabilities		
Long-Term Liabilities	595,617	848,460
Other Liabilities	3,149,936	2,670,735
Total Liabilities	3,745,553	3,519,195
Net Assets		
Invested in Capital Assets, Net of Related Debt	3,202,083	3,244,377
Restricted	231,958	160,270
Unrestricted	1,473,348	603,569
Total Net Assets	\$ 4,907,389	\$ 4,008,216

Total net assets increased by \$899,173. A decrease of \$163,887 in total capital assets reflects depreciation exceeding additional purchases. Total liabilities increased by \$226,358, which was primarily a result of an increase in deferred revenue and other long-term liabilities.

Ashland County-West Holmes Joint Vocational School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

Table 2 shows the changes in net assets for fiscal year 2005. 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)
Governmental Activities**

Revenues:	2005	2004
<i>Program Revenues:</i>		
Charges for Services	\$ 689,026	\$ 691,287
Operating Grants	1,000,633	1,093,267
<i>General Revenue:</i>		
Property Taxes	2,838,587	2,801,816
Grants and Entitlements	2,047,720	1,980,748
Other	83,784	167,408
<i>Total Revenues</i>	<u>6,659,750</u>	<u>6,734,526</u>
 <i>Program Expenses</i>		
Instruction	3,685,866	3,966,460
<i>Support Services:</i>		
Pupil and Instructional Staff	321,522	512,493
Board of Education, Administration, Fiscal and Business	946,825	849,253
Operation and Maintenance	543,333	611,582
Pupil Transportation	9,148	9,655
Central	34,427	44,251
Operation of Non-Instructional Services	205,440	209,334
Interest and Fiscal Charges	14,016	19,788
<i>Total Expenses</i>	<u>5,760,577</u>	<u>6,222,816</u>
 Increase in Net Assets	<u>\$ 899,173</u>	<u>\$ 511,710</u>

Governmental Activities

Several revenue sources fund the School District's governmental activities with property taxes being the largest contributor. Property tax levies generated \$2,838,587 in 2005. General revenues from grants and entitlements, such as the school foundation program, are also a large revenue generator. With the combination of taxes and intergovernmental revenues funding over 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.

Ashland County-West Holmes Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

(Table 3)
Governmental Activities

	Total Cost of Service 2005	Total Cost of Service 2004	Net Cost of Service 2005	Net Cost of Service 2004
Instruction	\$ 3,685,866	\$ 3,966,460	\$(2,324,844)	\$(2,537,381)
Support Services:				
Pupil and Instructional Staff	321,522	512,493	(231,069)	(404,540)
Board of Education, Administration				
Fiscal and Business	946,825	849,253	(943,167)	(813,260)
Operation and Maintenance of Plant	543,333	611,582	(539,023)	(566,637)
Pupil Transportation	9,148	9,655	(9,148)	(9,142)
Central	34,427	44,251	(1,471)	(6,360)
Operation of Non-Instructional Services	205,440	209,334	(8,180)	(81,154)
Interest and Fiscal Charges	14,016	19,788	(14,016)	(19,788)
Total	\$ 5,760,577	\$ 6,222,816	\$(4,070,918)	\$(4,438,262)

Instruction and student support services comprise 69.5 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 by the School District. Pupil transportation and the operation and maintenance of plant account for 9.6 percent of governmental program expenses. Central expenses account for .6 percent of program expenses. Operation of non-instructional services, consisting primarily of food service operations, comprises 3.6 percent of governmental program expenses.

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

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 \$6,689,469 and expenditures of \$5,705,547.

The net change in fund balance for the year was most significant in the general fund. In fiscal year 2005, the net change in fund balance in the general fund was \$793,848 reflecting revenues exceeding expenditures. The net change in the adult education fund and permanent improvement fund was \$96,584 and \$89,874, respectively.

Ashland County-West Holmes Joint Vocational School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

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 2005, 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 \$4,778,762 and actual revenues were \$4,803,467. This represents an increase of \$82,401 over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$4,278,613 were increased to \$4,335,105 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$4,114,946, which was \$162,463 lower than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$3,528,094 invested in land, land improvements, buildings and building improvements, infrastructure, furniture and equipment and vehicles. See note 7 for additional details. Table 4 shows fiscal year 2005 balances compared with 2004.

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

	Governmental Activities	
	2005	Restated 2004
Land	\$ 50,000	\$ 50,000
Land improvements	7,102	8,863
Buildings and building improvements	2,945,855	3,063,990
Furniture and equipment	502,556	540,767
Vehicles	5,307	10,066
Infrastructure	17,274	18,295
	\$ 3,528,094	\$ 3,691,981

The \$163,887 decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

Ashland County-West Holmes Joint Vocational School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

Debt Administration

At June 30, 2005, the School District had \$326,011 in outstanding debt with \$126,028 due within one year. See note 8 for additional details. Table 5 summarizes bonds, loans and leases outstanding.

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

	Governmental Activities	
	2005	2004
OWDA Loan	\$ 220,696	\$ 249,788
General Obligation Bonds	85,000	170,000
Capital Leases	20,315	27,816
	<hr/>	<hr/>
Total	\$ 326,011	\$ 447,604
	<hr/> <hr/>	<hr/> <hr/>

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

Current Financial Related Activities

What a difference a year can make! After going through reduction in force (RIF) procedures and failing to pass an operating levy in FY2004, the Ashland County-West Holmes Joint Vocational School District ended FY2005 in much better financial circumstances.

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 rejected the 1.5 mill levy proposed on the August 2004 ballot. The Board presented the voters with separate issues in November 2004 – a renewal of the 1.0 mill levy and a separate 0.5 mill new money levy. While the new money issue was rejected, the voters did approve the renewal of the 1.0 mill issue. This allowed the School District to collect tax money in February 2005 on the renewal and not lose any income. Property taxes made up 44% of revenues for governmental activities for the Ashland County-West Holmes Joint Vocational School District in fiscal year 2005.

The School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and the loss of commercial business and property due to plant closures. Since FY2003, the School District has lost \$19,549,641 in tangible personal property valuation. This translates to a loss of \$47,099 in revenue. This trend will continue.

Ashland County-West Holmes Joint Vocational School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

As the preceding information shows, the School District relies heavily on its local property taxpayers. Management diligently planned expenses so that the last levy stretched for the three years it was promised. This has been made increasingly difficult with mandates, rising utility costs, increased services required for our students, and significant increases in fees and insurances. Fortunately, the renewal was passed in November 2004. We were able to reinstate a custodial position and hire a special education teacher in January. Since there was no additional levy money, other positions could not be reinstated, particularly those programs that had small enrollments. The Board decided to stay off the ballot with any other levy requests until the fall of 2005.

The staff members of the School District worked hard to reduce expenses while still delivering a quality education to students. There were no increases in the salary schedules for any employee during FY2005. The staff's commitment to the students and community were vital to maintaining the financial health of the School District. Since we did not increase our staff size back to pre-RIF levels and other expenses did not increase dramatically, the School District ended the year with a larger positive balance.

The Ashland County-West Holmes Joint Vocational School District is a school of choice. Students choose to come to this school so enrollment levels are critical since it serves as the basis for receiving state foundation funding. Enrollment fell dramatically in FY2003 but rebounded in FY2004. Intensive recruitment and retention efforts resulted in a better enrollment for FY2005 so our foundation payments went above the "guarantee amount". After the passage of the renewal levy, continued emphasis on recruitment and retention, reinstating the Carpentry program at West Holmes High School, and launching the Criminal Justice program, we believe our enrollment for FY2006 should increase and provide more foundation funding.

During FY2005, the Board of Education decided to take advantage of HB264 rules and participate in an energy study with Comfort Control Group of Richfield, OH. The study showed that the school would benefit from an energy retrofit project with the energy savings providing the revenue to make the payments on a loan. The Board also decided to invest in a "clean lab" system that allows students to work with models and computers at their own pace. Four different programs can use this lab to train students. This investment helps recruit students and provides more in-depth training – making the students more marketable after graduation. Bank One and National City Bank provided the financing for these projects at reasonable rates. The Auto Learning Lab will be completed by August 2005. The Energy Retrofit Project will probably be finished in November 2005.

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, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,566,673
Cash and Cash Equivalents in Segregated Accounts	479,257
Receivables:	
Taxes	2,950,742
Accounts	15,763
Intergovernmental	32,361
Prepaid Items	76,386
Inventory Held For Resale	3,666
Nondepreciable Capital Assets	50,000
Depreciable Capital Assets (Net)	3,478,094
 <i>Total Assets</i>	 8,652,942
Liabilities	
Accounts Payable	33,067
Accrued Wages and Benefits	422,749
Accrued Vacation Payable	47,298
Intergovernmental Payable	83,910
Deferred Revenue	2,396,019
Claims Payable	166,893
Long Term Liabilities:	
Due Within One Year	126,028
Due in More Than One Year	469,589
 <i>Total Liabilities</i>	 3,745,553
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,202,083
Restricted for:	
Capital Projects	211,990
Debt Service	1
Other Purposes	19,967
Unrestricted	1,473,348
 <i>Total Net Assets</i>	 \$ 4,907,389

The accompanying notes are an integral part of these financial statements.

Ashland County - West Holmes Joint Vocational School District

Statement of Activities

For the Fiscal Year Ended June 30, 2005

	Program Revenues			Net Expense and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 496,164	\$ 27,659	\$ 0	\$ (468,505)
Special	225,495	0	115,667	(109,828)
Vocational	1,917,061	430	208,518	(1,708,113)
Adult Continuing	1,047,145	490,855	517,892	(38,398)
Support Services:				
Pupils	163,707	0	61,274	(102,433)
Instructional Staff	157,815	0	29,179	(128,636)
Board of Education	112,994	0	0	(112,994)
Administration	526,532	495	3,163	(522,874)
Fiscal	275,385	0	0	(275,385)
Business	31,914	0	0	(31,914)
Operation and Maintenance of Plant	543,333	0	4,310	(539,023)
Pupil Transportation	9,148	0	0	(9,148)
Central	34,427	0	32,956	(1,471)
Operation of Non-instructional Services				
Food Service Operations	97,379	55,038	27,674	(14,667)
Community Services	108,062	114,549	0	6,487
Interest and Fiscal Charges	14,016	0	0	(14,016)
Total Governmental Activities	\$ 5,760,577	\$ 689,026	\$ 1,000,633	(4,070,918)

General Revenues

Property Taxes Levied for:

General Purposes	2,450,641
Capital Outlay	387,946
Grants and Entitlements not Restricted to Specific Programs	2,047,720
Investment Earnings	22,052
Miscellaneous	61,732

Total General Revenues 4,970,091

Change in Net Assets 899,173

Net Assets Beginning of Year - Restated (See note 3) 4,008,216

Net Assets End of Year \$ 4,907,389

The accompanying notes are an integral part of these financial statements.

Ashland County - West Holmes Joint Vocational School District

*Balance Sheet
Governmental Funds
June 30, 2005*

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,042,641	\$ 294,548	\$ 134,190	\$ 95,294	\$ 1,566,673
Receivables:					
Taxes	2,529,958	0	420,784	0	2,950,742
Accounts	909	13,929	0	925	15,763
Interfund	29,740	5,861	0	0	35,601
Intergovernmental	0	0	0	32,361	32,361
Prepaid Items	47,546	5,689	0	23,151	76,386
Inventory Held For Resale	0	0	0	3,666	3,666
<i>Total Assets</i>	<u>\$3,650,794</u>	<u>\$320,027</u>	<u>\$554,974</u>	<u>\$155,397</u>	<u>\$4,681,192</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 27,426	\$ 3,601	\$ 1,305	\$ 735	\$ 33,067
Accrued Wages and Benefits	371,023	31,455	0	20,271	422,749
Interfund Payable	0	0	0	35,601	35,601
Intergovernmental Payable	67,653	7,765	0	8,492	83,910
Deferred Revenue	2,153,409	0	358,156	0	2,511,565
<i>Total Liabilities</i>	<u>2,619,511</u>	<u>42,821</u>	<u>359,461</u>	<u>65,099</u>	<u>3,086,892</u>
Fund Balances					
Reserved for Encumbrances	5,182	0	0	320	5,502
Reserved for Property Taxes Unavailable for Appropriation	376,549	0	62,628	0	439,177
Reserved for Inventory	0	0	0	3,666	3,666
Reserved for Termination Benefits	0	0	0	53,475	53,475
Unreserved, Designated:					
Designated for Budget Stabilization	72,189	0	0	0	72,189
Unreserved, Undesignated, Reported in:					
General Fund	577,363	0	0	0	577,363
Special Revenue Funds	0	277,206	0	32,836	310,042
Debt Service Fund	0	0	0	1	1
Capital Projects Fund	0	0	132,885	0	132,885
<i>Total Fund Balances</i>	<u>1,031,283</u>	<u>277,206</u>	<u>195,513</u>	<u>90,298</u>	<u>1,594,300</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 3,650,794</u>	<u>\$ 320,027</u>	<u>\$ 554,974</u>	<u>\$ 155,397</u>	<u>\$ 4,681,192</u>

The accompanying notes are an integral part of these financial statements.

Ashland County - West Holmes Joint Vocational School District
Reconciliation of Total Governmental
Fund Balances to Net Assets of Governmental Activities
June 30, 2005

Total Governmental Fund Balances	\$	1,594,300
 <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		3,528,094
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. Delinquent Property Taxes		115,546
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.		312,364
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	\$ (47,298)	
Compensated Absences	(269,606)	
Bonds Payable	(85,000)	
Loans Payable	(220,696)	
Capital Leases Payable	(20,315)	(642,915)
Net Assets of Governmental Activities	\$	4,907,389

The accompanying notes are an integral part of these 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, 2005

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 2,471,889	\$ 0	\$ 396,417	\$ 0	\$ 2,868,306
Intergovernmental	2,182,348	369,985	42,065	451,564	3,045,962
Investment Income	21,213	0	817	22	22,052
Tuition and Fees	26,220	490,685	0	43,312	560,217
Rentals	2,984	0	0	0	2,984
Charges for Services	70,292	0	0	55,533	125,825
Contributions and Donations	1,020	2,103	3,500	288	6,911
Miscellaneous	21,866	1,837	23,941	9,568	57,212
<i>Total Revenues</i>	<u>4,797,832</u>	<u>864,610</u>	<u>466,740</u>	<u>560,287</u>	<u>6,689,469</u>
Expenditures					
Current:					
Instruction:					
Regular	351,851	0	9,520	0	361,371
Special	221,515	0	1,000	7	222,522
Vocational	1,577,651	0	147,884	196,251	1,921,786
Adult Continuing	147,215	768,031	0	85,991	1,001,237
Support Services:					
Pupils	114,752	0	0	66,112	180,864
Instructional Staff	122,268	0	0	35,507	157,775
Board of Education	112,994	0	0	0	112,994
Administration	505,220	0	0	12,702	517,922
Fiscal	258,770	0	9,551	0	268,321
Business	3,023	0	28,891	0	31,914
Operation and Maintenance of Plant	501,706	0	41,191	4,311	547,208
Pupil Transportation	4,468	0	722	757	5,947
Central	4,325	0	0	30,102	34,427
Operation of Non-Instructional Services					
Food Service Operations	0	0	0	94,534	94,534
Community Services	66,250	0	0	41,811	108,061
Debt Service:					
Principal Retirement	384	0	10,172	114,092	124,648
Interest and Fiscal Charges	174	0	2,425	11,417	14,016
<i>Total Expenditures</i>	<u>3,992,566</u>	<u>768,031</u>	<u>251,356</u>	<u>693,594</u>	<u>5,705,547</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>805,266</u>	<u>96,579</u>	<u>215,384</u>	<u>(133,307)</u>	<u>983,922</u>
Other Financing Sources (Uses)					
Inception of Capital Lease	3,055	0	0	0	3,055
Proceeds from Sales of Capital Assets	285	5	0	0	290
Transfers In	0	0	0	140,268	140,268
Transfers Out	(14,758)	0	(125,510)	0	(140,268)
<i>Total Financing Sources (Uses)</i>	<u>(11,418)</u>	<u>5</u>	<u>(125,510)</u>	<u>140,268</u>	<u>3,345</u>
<i>Net Change in Fund Balances</i>	793,848	96,584	89,874	6,961	987,267
<i>Fund Balances Beginning of Year</i>	237,435	180,622	105,639	83,141	606,837
<i>Increase in Reserve for Inventory</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>196</u>	<u>196</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,031,283</u>	<u>\$ 277,206</u>	<u>\$ 195,513</u>	<u>\$ 90,298</u>	<u>\$ 1,594,300</u>

The accompanying notes are an integral part of these 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, 2005*

Net Change in Fund Balances - Total Governmental Funds	\$	987,267
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Amounts reported for governmental activities in the statement of activities are different because

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

Capital Asset Additions	\$ 87,169	
Current Year Depreciation	<u>(248,031)</u>	(160,862)

The net effect of transactions involving sale of capital assets are not reflected in the funds.		(3,025)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Tuition	(46,095)	
Delinquent Property Taxes	<u>(29,720)</u>	(75,815)

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

Loans/Bonds Payable	114,092	
Capital Leases Payable	<u>10,556</u>	124,648

Proceeds of capital lease transactions 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.		(3,055)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Vacation Payable	(47,298)	
Compensated Absences	131,251	
Intergovernmental Payables	8,264	
Change in Inventory	<u>196</u>	92,413

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue of the internal service fund is reported with governmental activities.		<u>(62,398)</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>899,173</u></u>
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The accompanying notes are an integral part of these 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, 2005*

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>		with Final Budget Positive (Negative)
Revenues				
Property Taxes	\$ 2,126,635	\$ 2,631,019	\$ 2,447,152	\$ (183,867)
Intergovernmental	1,928,067	1,928,067	2,125,816	197,749
Investment Income	19,240	19,240	21,213	1,973
Tuition and Fees	23,509	23,509	25,920	2,411
Rentals	2,706	2,706	2,984	278
Charges for Services	90,503	90,503	99,785	9,282
Contributions and Donations	925	925	1,020	95
Miscellaneous	11,251	11,251	12,405	1,154
<i>Total Revenues</i>	<u>4,202,836</u>	<u>4,707,220</u>	<u>4,736,295</u>	<u>29,075</u>
Expenditures				
Current:				
Instruction:				
Regular	385,376	390,588	372,629	17,959
Special	223,039	226,056	215,662	10,394
Vocational	1,692,280	1,715,166	1,636,305	78,861
Adult Continuing	92,510	93,761	89,450	4,311
Support Services:				
Pupils	140,666	142,568	136,013	6,555
Instructional Staff	134,563	136,383	130,112	6,271
Board of Education	122,668	124,327	118,611	5,716
Administration	520,751	527,793	503,526	24,267
Fiscal	269,250	272,891	260,344	12,547
Business	3,126	3,169	3,023	146
Operation and Maintenance of Plant	514,630	521,590	497,608	23,982
Pupil Transportation	4,655	4,718	4,501	217
Central	4,485	4,546	4,337	209
Operation of Non-Instructional Services:				
Community Services	69,093	70,028	66,808	3,220
<i>Total Expenditures</i>	<u>4,177,092</u>	<u>4,233,584</u>	<u>4,038,929</u>	<u>194,655</u>
<i>Excess of Revenues Over Expenditures</i>	<u>25,744</u>	<u>473,636</u>	<u>697,366</u>	<u>223,730</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	300	300	285	(15)
Refund of Prior Year Expenditures	13,655	13,655	9,302	(4,353)
Advances In	53,550	53,550	53,549	(1)
Advances Out	(77,484)	(77,484)	(57,223)	20,261
Transfers In	4,037	4,037	4,036	(1)
Transfers Out	(24,037)	(24,037)	(18,794)	5,243
<i>Total Other Financing Sources (Uses)</i>	<u>(29,979)</u>	<u>(29,979)</u>	<u>(8,845)</u>	<u>21,134</u>
<i>Net Change in Fund Balance</i>	(4,235)	443,657	688,521	244,864
<i>Fund Balance Beginning of Year</i>	333,832	333,832	333,832	0
Prior Year Encumbrances Appropriated	3,797	3,797	3,797	0
<i>Fund Balance End of Year</i>	<u>\$ 333,394</u>	<u>\$ 781,286</u>	<u>\$ 1,026,150</u>	<u>\$ 244,864</u>

The accompanying notes are an integral part of these 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, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 639,523	\$ 639,523	\$ 487,206	\$ (152,317)
Tuition and Fees	667,205	667,205	508,295	(158,910)
Contributions and Donations	2,760	2,760	2,103	(657)
Miscellaneous	45,682	45,682	34,802	(10,880)
<i>Total Revenues</i>	<u>1,355,170</u>	<u>1,355,170</u>	<u>1,032,406</u>	<u>(322,764)</u>
Expenditures				
Current:				
Instruction:				
Adult Continuing	1,215,999	1,095,099	856,094	239,005
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>139,171</u>	<u>260,071</u>	<u>176,312</u>	<u>(83,759)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	0	0	5	5
Refund of Prior Year Expenditures	2,828	2,828	4,061	1,233
Advances Out	(30,000)	(36,000)	(5,861)	30,139
Transfers In	292,000	292,000	346,374	54,374
Transfers Out	(404,001)	(518,901)	(346,374)	172,527
<i>Total Other Financing Sources (Uses)</i>	<u>(139,173)</u>	<u>(260,073)</u>	<u>(1,795)</u>	<u>258,278</u>
<i>Net Change in Fund Balance</i>	(2)	(2)	174,517	174,519
<i>Fund Balance Beginning of Year</i>	<u>120,031</u>	<u>120,031</u>	<u>120,031</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 120,029</u>	<u>\$ 120,029</u>	<u>\$ 294,548</u>	<u>\$ 174,519</u>

The accompanying notes are an integral part of these financial statements.

Ashland County - West Holmes Joint Vocational School District

Statement of Fund Net Assets

Proprietary Fund

June 30, 2005

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	<u>\$ 479,257</u>
Liabilities	
Claims Payable	<u>166,893</u>
Net Assets	
Unrestricted	<u><u>\$ 312,364</u></u>

The accompanying notes are an integral part of these 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, 2005

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	\$ 648,786
Other Operating Revenues	188
<i>Total Operating Revenues</i>	648,974
Operating Expenses	
Claims	582,507
Purchased Services	133,647
<i>Total Operating Expenses</i>	716,154
<i>Operating Loss</i>	(67,180)
Non-Operating Revenues (Expenses)	
Interest	4,782
<i>Change in Net Assets</i>	(62,398)
<i>Net Assets Beginning of Year</i>	374,762
<i>Net Assets End of Year</i>	\$ 312,364

The accompanying notes are an integral part of these financial statements.

Ashland County - West Holmes Joint Vocational School District

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2005

	<u>Governmental Activities - Internal Service Fund</u>
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows From Operating Activities	
Cash Received from Charges for Services	\$ 648,786
Other Cash Receipts	188
Cash Paid for Services	(133,647)
Cash Paid for Claims	<u>(510,701)</u>
<i>Net Cash Provided By Operating Activities</i>	<u>4,626</u>
Cash Flows From Investing Activities:	
Interest on Investments	<u>4,782</u>
<i>Net Increase in Cash and Cash Equivalents</i>	9,408
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>469,849</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 479,257</u></u>
Reconciliation of Operating Loss to Net Cash Provided By Operating Activities	
Operating Loss	\$ (67,180)
Adjustments:	
Increase in Claims Payable	<u>71,806</u>
<i>Net Cash Provided By Operating Activities</i>	<u><u>\$ 4,626</u></u>

The accompanying notes are an integral part of these financial statements.

Ashland County - West Holmes Joint Vocational School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 25,104	\$ 30,237
Accounts Receivable	0	75
<i>Total Assets</i>	\$ 25,104	\$ 30,312
Liabilities		
Accounts Payable	\$ 0	\$ 2,044
Due to Students	0	28,268
<i>Total Liabilities</i>		\$ 30,312
Net Assets		
Held in Trust for Scholarships	\$ 25,104	

The accompanying notes are an integral part of these financial statements.

Ashland County - West Holmes Joint Vocational School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust
	Scholarship
Additions	
Gifts and Contributions	\$ 630
Interest	306
	936
Total Additions	\$ 936
Deductions	
Scholarships Awarded	5,175
<i>Change in Net Assets</i>	(4,239)
<i>Net Assets Beginning of Year</i>	29,343
<i>Net Assets End of Year</i>	\$ 25,104

The accompanying notes are an integral part of these financial statements.

Ashland County-West Holmes Joint Vocational School District

Notes to The Basic Financial Statements

June 30, 2005

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Ashland County-West Holmes 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 on June 30, 2005 was 353. The School District employs 52 certificated and 23 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 16 to the basic financial statements.

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

June 30, 2005

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 and enterprise 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

June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's 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 fiduciary funds are agency funds. The School District's agency fund accounts for student activities.

Ashland County-West Holmes Joint Vocational School District
Notes to The Basic Financial Statements
June 30, 2005

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
June 30, 2005

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 10.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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, 2005, but which were levied to finance fiscal year 2006 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 Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and 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

June 30, 2005

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 2005, 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, 2005.

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 2005 amounted to \$21,213, which includes \$18,987 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, 2005, 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

June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventory

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

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

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

I. Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 - 10 years
Buildings and Building	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
June 30, 2005

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 amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after ten years of service based on historical trends.

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

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

June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves

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

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

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.

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 good 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.

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

June 30, 2005

NOTE 3 – RESTATEMENT OF NET ASSETS

During fiscal year 2005, the School District removed salvage values from capital asset reports, which increased accumulated depreciation and decreased depreciable capital assets, net by \$470,822. To report this, the beginning net assets of governmental activities have been restated as follows:

	<u>Previously Stated Balance at 6/30/04</u>	<u>Adjustments</u>	<u>Restated Balance at 7/1/04</u>
Governmental Activities	<u>\$ 4,479,038</u>	<u>\$ (470,822)</u>	<u>\$ 4,008,216</u>

NOTE 4 – ACCOUNTABILITY

GAAP basis fund balances at June 30, 2005 included the following individual fund deficits:

Special Revenue Funds:

Educational Management Information System	\$	33
Vocational Education Planning Development		1,279
Career Development Grant		867

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

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

June 30, 2005

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	<u>General</u>	<u>Adult Education</u>
GAAP Basis	\$ 793,848	\$ 96,584
Net Adjustments for Revenue Accruals	6,442	460,535
Advances In	53,549	0
Net Adjustment for Expenditure Accruals	(91,601)	(376,741)
Advances Out	(57,223)	(5,861)
Adjustment for Encumbrances	(16,494)	0
	<u> </u>	<u> </u>
Budget Basis	<u>\$ 688,521</u>	<u>\$ 174,517</u>

NOTE 6 - CASH AND CASH EQUIVALENTS

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 public monies deposited with the institution.

Ashland County-West Holmes Joint Vocational School District

Notes to The Basic Financial Statements

June 30, 2005

NOTE 6 - CASH AND CASH EQUIVALENTS (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

June 30, 2005

NOTE 6 - CASH AND CASH EQUIVALENTS (Continued)

According to State law, public depositories must give security for all 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 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 2005, 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 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 \$1,017,853. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2005, the School District's entire bank balance of \$1,095,794 was uninsured and uncollateralized.

Funds Held By Fiscal Agent

At June 30, 2005, the Career Center's Self Insurance Internal Service Fund had a cash balance of \$479,257 with Ohio Mid-Eastern Regional Educational Service Agency School Employees Insurance Consortium (OME-RESA), a claims servicing pool (See Note 17). The money is held by the claims service in a pooled account which is representative of numerous entities and, therefore, cannot be classified by risk under GASB Statement No. 3. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Steubenville, OH 43952.

Investments

As of June 30, 2005, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities			
		6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months
STAROhio	\$ 372,812	\$ 372,812	\$ 0	\$ 0	\$ 0
Repurchase Agreement	231,349	231,349	0	0	0
Total	<u>\$ 604,161</u>	<u>\$ 604,161</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Ashland County-West Holmes Joint Vocational School District

Notes to The Basic Financial Statements

June 30, 2005

NOTE 6 - CASH AND CASH EQUIVALENTS (Continued)

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.

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, 2005:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
STAROhio	\$ 372,812	61.71%
Repurchase Agreement	231,349	38.29%
 Total	 <u>\$ 604,161</u>	 <u>100.00%</u>

NOTE 7 - CAPITAL ASSETS

The capital asset balances of the governmental activities have been restated due to changes in the Career Center's capital asset policy. The Career Center has removed salvage values from depreciation reports which increased the total amount of accumulated depreciation at June 30, 2004 by \$470,822.

	<u>Balance 6/30/2004</u>	<u>Adjustments</u>	<u>Restated Balance 6/30/2004</u>
Governmental Activities			
<i>Capital Assets not being depreciated</i>			
Land	\$ 50,000	\$ 0	\$ 50,000
<i>Capital Assets being depreciated</i>			
Land Improvements	150,063	0	150,063
Buildings and Building Improvements	6,241,333	0	6,241,333
Infrastructure	51,056	0	51,056
Furniture and Equipment	2,104,106	0	2,104,106
Vehicles	24,025	0	24,025
 <i>Total Capital Assets being depreciated</i>	 8,570,583	 0	 8,570,583
Less: Accumulated Depreciation	(4,457,780)	(470,822)	(4,928,602)
 <i>Total Capital Assets being depreciated, net</i>	 <u>4,112,803</u>	 <u>(470,822)</u>	 <u>3,641,981</u>
 <i>Governmental Activities Capital Assets, Net</i>	 <u>\$ 4,162,803</u>	 <u>\$ (470,822)</u>	 <u>\$ 3,691,981</u>

Ashland County-West Holmes Joint Vocational School District
Notes to The Basic Financial Statements
 June 30, 2005

NOTE 7 – CAPITAL ASSETS (Continued)

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Governmental Activities				
<i>Capital Assets not being depreciated</i>				
Land	\$ 50,000	\$ 0	\$ 0	\$ 50,000
<i>Capital Assets being depreciated</i>				
Land Improvements	150,063	0	(18,626)	131,437
Building and Building Improvements	6,241,333	4,800	0	6,246,133
Infrastructure	51,056	0	0	51,056
Furniture and Equipment	2,104,106	82,369	(210,386)	1,976,089
Vehicles	24,025	0	(5,200)	18,825
<i>Total Capital Assets being depreciated</i>	<u>8,570,583</u>	<u>87,169</u>	<u>(234,212)</u>	<u>8,423,540</u>
Less: Accumulated Depreciation				
Land Improvements	(141,200)	(1,761)	18,626	(124,335)
Building and Building Improvements	(3,177,343)	(122,935)	0	(3,300,278)
Infrastructure	(32,761)	(1,021)	0	(33,782)
Furniture and Equipment	(1,563,339)	(119,893)	209,699	(1,473,533)
Vehicles	(13,959)	(2,421)	2,862	(13,518)
<i>Total Accumulated Depreciation</i>	<u>(4,928,602)</u>	<u>(248,031) *</u>	<u>231,187</u>	<u>(4,945,446)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>3,641,981</u>	<u>(160,862)</u>	<u>(3,025)</u>	<u>3,478,094</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 3,691,981</u>	<u>\$ (160,862)</u>	<u>\$ (3,025)</u>	<u>\$ 3,528,094</u>

Ashland County-West Holmes Joint Vocational School District
Notes to The Basic Financial Statements
 June 30, 2005

NOTE 7 – CAPITAL ASSETS (Continued)

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 138,101
Special	246
Vocational	79,033
Adult/Continuing	11,075
Support Services:	
Pupils	1,778
Instructional Staff	1,599
Administration	3,268
Fiscal	2,648
Operation and Maintenance of Plant	2,658
Pupil Transportation	3,258
Food Service Operations	4,367
Total Depreciation Expense	\$ 248,031

NOTE 8 - LONG-TERM OBLIGATIONS

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

	Outstanding July 1, 2004	Additions	Reductions	Outstanding June 30, 2005	Due Within One Year
OWDA Loan					
2.0% interest rate, due 7/01/2012	\$ 249,788	\$ 0	\$ (29,092)	\$ 220,696	\$ 29,677
General Obligation Bonds,					
5.15% interest rate, due 1/01/2006	170,000	0	(85,000)	85,000	85,000
Capital Lease Payable	27,816	3,055	(10,556)	20,315	11,351
Compensated Absences	400,856	0	(131,250)	269,606	0
Total	\$ 848,460	\$ 3,055	\$ (255,898)	\$ 595,617	\$ 126,028

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

Ashland County-West Holmes Joint Vocational School District
Notes to The Basic Financial Statements
 June 30, 2005

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

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.

The School District's overall legal debt margin was \$134,596,331 with an unvoted debt margin of \$1,413,911 at June 30, 2005. Principal and interest requirements to retire long-term obligations outstanding at June 30, 2005 are as follows:

Year Ending, June 30,	General Obligation Bonds		OWDA Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 85,000	\$ 2,189	\$ 29,677	\$ 4,266	\$ 114,677	\$ 6,455
2007	0	0	30,274	3,670	30,274	3,670
2008	0	0	30,882	3,061	30,882	3,061
2009	0	0	31,503	2,441	31,503	2,441
2010	0	0	32,136	1,807	32,136	1,807
2011-2013	0	0	66,224	1,664	66,224	1,664
	<u>\$ 85,000</u>	<u>\$ 2,189</u>	<u>\$ 220,696</u>	<u>\$ 16,909</u>	<u>\$ 305,696</u>	<u>\$ 19,098</u>

NOTE 9 - CAPITAL LEASES

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

General capital assets, consisting of copiers, have been capitalized in the statement of net assets in the amount of \$55,973. 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 2005 totaled \$10,556 in the general and capital projects funds.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2005:

Year ending June 30,	2006	<u>Capital Leases</u>
		\$ 12,888
	2007	7,828
	2008	744
	2009	744
	2010	186
Minimum lease payments		<u>22,390</u>
Less: Amount representing interest		<u>2,075</u>
Present value of minimum lease payments		<u>\$ 20,315</u>

Ashland County-West Holmes Joint Vocational School District

Notes to The Basic Financial Statements

June 30, 2005

NOTE 10 - 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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 become a lien December 31, 2002, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Ashland, Holmes, Wayne, Richland, Knox, Lorain and Coshocton Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2005 are available to finance fiscal year 2005 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, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$376,549 in the general fund, \$62,628 in the permanent improvement fund. The amount available as an advance at June 30, 2004 was \$351,812 in the general fund and \$72,951 in the permanent improvement fund.

Ashland County-West Holmes Joint Vocational School District

Notes to The Basic Financial Statements

June 30, 2005

NOTE 10 - PROPERTY TAXES (Continued)

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

There were no new levies passed during the current fiscal year. The assessed values upon which fiscal year 2005 taxes were collected are:

	<u>2004 Second</u>		<u>2005 First</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 1,000,493,110	70.00%	\$ 1,056,911,670	70.50%
Commercial Industrial	186,022,180	12.80%	202,934,550	13.50%
Public Utility	2,926,830	0.20%	61,970	0.00%
Tangible Personal Property	<u>243,730,780</u>	<u>17.00%</u>	<u>239,003,234</u>	<u>16.00%</u>
Total Assessed Value	<u>\$ 1,433,172,900</u>	<u>100.00%</u>	<u>\$ 1,498,911,424</u>	<u>100%</u>

NOTE 11 - PENSION PLANS

A. *School Employees Retirement System (SERS)*

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$87,621, \$79,573 and \$76,827, 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

June 30, 2005

NOTE 11 - PENSION PLANS (Continued)

B. State Teachers Retirement System (STRS)

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

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

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

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

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$392,128, \$440,372 and \$467,026, respectively; 100 percent has been contributed for each fiscal year.

Ashland County-West Holmes Joint Vocational School District

Notes to The Basic Financial Statements

June 30, 2005

NOTE 11 - 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, 2005, 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 12 - POSTEMPLOYMENT BENEFITS

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

All retirees who participated in the DC and Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$25,693 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.1 billion. For the fiscal year ended June 30, 2004 net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established as \$27,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2005 fiscal year equaled \$26,292.

Ashland County-West Holmes Joint Vocational School District

Notes to The Basic Financial Statements

June 30, 2005

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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

NOTE 13 - INTERFUND ACTIVITY

A. *Interfund Balances*

At June 30, 2005, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 29,740	\$ 0
Adult Education	5,861	0
Vocational Education Planning Development	0	27,469
Holmes County PRCDR Grant	0	2,270
Adult Education-Full Service	0	2,433
Adult Basic Literary Education	0	3,429
 Total	 \$ 35,601	 \$ 35,601

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 once the anticipated revenues are received

B. *Interfund Transfers*

Transfers To	Transfers From		
	General	Permanent Improvement	Total
Debt Service	\$ 0	\$ 125,510	\$ 125,510
Food Service	14,525	0	14,525
EMIS	233	0	233
 Total	 \$ 14,758	 \$ 125,510	 \$ 140,268

The transfers from the general fund were made to provide additional resources for current operations. The transfer from the Permanent Improvement fund to the Debt Service fund was made to provide resources for debt retirement.

Ashland County-West Holmes Joint Vocational School District

Notes to The Basic Financial Statements

June 30, 2005

NOTE 14 – 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.

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.

	Textbooks	Capital Acquisition	BWC Reserve (formerly Budget Stabilization)
Set-aside Reserve Balance as of June 30, 2004	\$ 0	\$ 0	\$ 4,036
Current Year Set-aside Requirement	45,977	45,977	0
Current Year Offsets	(203,370)	(203,370)	0
Qualifying Disbursements	0	0	(4,036)
 Totals	 \$ (157,393)	 \$ (157,393)	 \$ 0
 Set-aside Balance Carried Forward to Future Fiscal Years	 \$ 0	 \$ 0	 \$ 0
 Set-aside Reserve Balance as of June 30, 2005	 \$ 0	 \$ 0	 \$ 0

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

The amount of the former budget stabilization reserve identified as Bureau of Workers' Compensation refunds, which was classified as Reserved for BWC Refund, was reduced to zero for the fiscal year ending June 30, 2005.

NOTE 15 - 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 \$5,000 per incident on property and equipment. The School District's comprehensive property and casualty policy aggregate limit is approximately \$20,435,555. 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.

Ashland County-West Holmes Joint Vocational School District

Notes to The Basic Financial Statements

June 30, 2005

NOTE 15 - RISK MANAGEMENT (Continued)

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

B. Fidelity Bond

The Board President and Superintendent have a \$20,000 position bond. The Treasurer is covered under a surety bond in the amount of \$50,000. The 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.

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 \$166,893 is reported in the internal service fund at June 30, 2005, 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 2004 and 2005 are listed below:

	<u>Balance at Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>Balance at End of Year</u>
2005	\$ 95,087	\$ 582,507	\$ 510,701	\$ 166,893
2004	\$ 90,634	\$ 409,299	\$ 404,846	\$ 95,087

Ashland County-West Holmes Joint Vocational School District

Notes to The Basic Financial Statements

June 30, 2005

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

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

NOTE 17 - CLAIMS SERVICING POOL

Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan (Plan) – The Career Center participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) self-insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. The Ashland County-West Holmes Joint Vocational School District paid \$27,330 to OME-RESA during fiscal year 2005 for services. All participating members retain their risk and the Plan acts as the claims servicing agent.

NOTE 18 - 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, 2005.

B. Litigation

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

Ashland County-West Holmes Joint Vocational School District

Notes to The Basic Financial Statements

June 30, 2005

NOTE 19 - STATE SCHOOL FUNDING DECISION

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

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

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

NOTE 20 - SUBSEQUENT EVENTS

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 automobile technology program. The bonds have a maturity date of July 15, 2010 and an interest rate of 3.5 percent.

On July 15, 2005, the School District also issued \$527,619 of general obligation bonds for the purpose of paying part of the cost of acquiring, constructing and installing energy conservation improvements. The bonds were issued with a maturity date of July 15, 2020 and an interest rate of 4 percent.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 28, 2006

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashland County-West Holmes Joint Vocational School District (the "School District") as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the School District in a separate letter dated March 28, 2006.

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 March 28, 2006.

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.

Rea & Associates, Inc.



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**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
JUNE 13, 2006**