

**Wayne County Joint Vocational  
School District  
Wayne County, Ohio**

**\* \* \* \***

***Financial Statement***

***June 30, 2005***





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Wayne County Joint Vocational School District, Wayne County, prepared by Rea & Associates, Inc., for the audit period July 1, 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 Wayne County 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

April 11, 2006

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

*For the Year Ended June 30, 2005  
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**WAYNE COUNTY JOINT VOCATIONAL  
SCHOOL DISTRICT  
Wayne County, Ohio**

*For the Year Ended June 30, 2005  
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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 13, 2006

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

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County Joint Vocational School District (the School District), as of and for the year ended June 30, 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 School District, as of June 30, 2005, and the respective changes in financial position 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 have also issued our report dated January 13, 2006 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Hea & Associates, Inc.*



**Wayne County Joint Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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The discussion and analysis of the Wayne County Joint Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 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 transmittal letter, 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:

- ❑ General Revenues accounted for \$10.8 million in revenue or 74% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$3.8 million or 26% of total revenues of \$14.7 million.
- ❑ Total program expenses were \$13.8 million.
- ❑ Net assets of governmental activities increased nearly \$798,574 from 2004.
- ❑ Outstanding bonded debt decreased from \$30,791 to \$21,993 through the payment of bond principal.

**Using this Annual Financial Report**

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

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

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 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.

**Wayne County Joint Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

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

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

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

The governmental fund financial statements begin on page 13.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21.

**Wayne County Joint Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

**(Table 1)**  
**Net Assets**

	<b>Table 1</b>	
	<b>Net Assets</b>	
	<u>Governmental Activities</u>	
	<u>2005</u>	<u>Restated 2004</u>
<b>Assets</b>		
Current and Other Assets	\$ 11,084,059	\$ 9,994,936
Capital Assets	<u>1,959,140</u>	<u>1,965,198</u>
Total Assets	13,043,199	11,960,134
<b>Liabilities</b>		
Long-Term Liabilities	880,921	883,736
Other Liabilities	<u>4,937,354</u>	<u>4,650,048</u>
Total Liabilities	5,818,275	5,533,784
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	1,937,147	1,934,407
Restricted	1,010,084	449,696
Unrestricted	<u>4,277,693</u>	<u>4,042,247</u>
Total Net Assets	<u>\$ 7,224,924</u>	<u>\$ 6,426,350</u>

Assets increased \$1.1 million and liabilities increased \$284,500 resulting in an increase in net assets of approximately \$799,000.

**Wayne County 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 compared to 2004.

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities	
	2005	Restated 2004
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,361,744	\$ 1,690,795
Operating Grants	7,302,687	7,123,209
<i>General Revenue:</i>		
Property Taxes	4,223,408	4,760,436
Gifts and Donations	27,677	0
Investments	118,757	51,311
Miscellaneous	642,123	39,207
<i>Total Revenues</i>	14,676,396	13,664,958
<b>Program Expenses</b>		
Instruction	8,587,543	8,309,878
Support Services	4,694,615	4,640,830
Operation of Non-Instructional	360,336	617,120
Extracurricular Activities	1,141	569
Food Service Operation	234,187	0
Interest and Fiscal Charges	0	353
Other Financial Sources	0	0
<i>Total Expenses</i>	13,877,822	13,568,750
Increase (Decrease) in Net Assets	798,574	96,208
<i>Net Assets Beginning of Year</i>	6,426,350	6,330,142
<i>Net Assets End of Year</i>	\$ 7,224,924	\$ 6,426,350

Overall revenue increased \$1,000,000 or approximately 7.4% over fiscal year 2004. Program expenses increased from \$13.5 million in 2004 to \$13.9 million in 2005. The increase in total program expenses reflects increases in salaries, fringe benefits (health insurance and retirement), purchased services (utilities and special education costs) and other expenditures.

**Wayne County Joint Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$14.7 million and expenditures of \$13.8 million.

**(Table 3)**  
**Governmental Activities**

	2005		Restated 2004	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 8,587,543	\$ 6,084,623	\$ 8,309,878	\$ 6,210,456
Support Services:				
Pupils and Instructional Staff	1,870,799	817,961	1,831,232	997,404
Board of Education, Administration				
Fiscal and Business	1,566,691	1,559,950	1,498,070	1,317,808
Operation and Maintenance of Plant	1,138,712	1,105,294	1,189,504	1,129,170
Pupil Transportation and Central	118,413	118,413	122,024	66,041
Operation of Non-Instructional Services	360,336	360,336	617,120	63,967
Food Service Operation	234,187	(1,001)		0
Extracurricular Activities	1,141	1,141	569	427
Interest Charges	0	0	353	353
<b>Total</b>	<b>\$ 13,877,822</b>	<b>\$ 10,046,717</b>	<b>\$ 13,568,750</b>	<b>\$ 9,785,626</b>

Total cost of service for 2005 increased 2.3 percent over 2004. Instruction and student support services comprise 96 percent of governmental program expenses.

The reliance of local tax revenues for governmental activities is crucial. Over 30 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 52.8 percent, while investment and other miscellaneous revenues support the remaining activity costs.

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

**Wayne County Joint Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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**School District's Funds**

Information regarding the School District's major funds can be found in the Notes to the Basic Financial Statements, Summary of Significant Accounting Policies. These funds are accounted for using the modified accrual basis of accounting. All government funds had total revenues of \$14,617,952 and expenditures of \$13,821,698.

The net change in fund balance in the general fund was \$796,254. The increase in miscellaneous revenue, due to insurance settlement, for the telecommunications building where the roof collapsed during the December 2004 Ice Storm.

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

For the general fund, budget basis revenue of \$10.7 million, was over final budget estimates of \$9.9 million. Of this \$800,000 increase, most was attributable to revenues generated through the State Foundation Program based on increased enrollment in the day school.

Final appropriations of \$10.2 million were \$400,000 greater than actual expenditures of the \$9.8 million. This net favorable variance was mainly the result of spending less than estimated in salaries and benefits. Employees retiring or resigning were replaced with employees earning less and, in some cases, positions were not filled. Also extended time granted to teaching employees was reduced in fiscal year 2005.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2005, the School District had \$2.0 million invested in land, buildings, equipment and textbooks. Table 4 shows fiscal year 2005 balances compared with 2004. See Note 9 for additional information on capital assets.

**Wayne County Joint Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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

	Governmental Activities	
	2005	2004
Land	\$ 354,000	\$ 354,000
Land Improvements	53,866	58,631
Buildings and Improvements	900,122	970,383
Furniture and Equipment	642,586	563,522
Vehicles	8,566	18,662
Totals	\$ 1,959,140	\$ 1,965,198

The decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2005, this amounted to \$117,362 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks (including instructional materials). Therefore, there is no need to carry over any amounts into the next school year to meet the requirements of law.

**Debt**

At June 30, 2005, the School District had \$21,993 in debt outstanding with \$8,798 due within one year.

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

	Governmental Activities 2005	Governmental Activities 2004
Loans Payable:		
1991 Food Processing Building Loan	\$ 21,993	\$ 30,791

The Food Processing Building Loan was granted as a 15 year interest free loan from the State of Ohio to equip and construct a building to house a Food Processing Vocational Program. Due to low enrollment, the Food Processing Building was converted to a Culinary Arts Program Building in 2002. See Note 11 for additional information on outstanding long-term obligations of the School District.

**Wayne County Joint Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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**School District Outlook**

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

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

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

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

We believe that good management of our resources has allowed the school district to build a carry over in the General Fund of \$4,904,113 at the end of FY05 without a new levy since 1987. Management will continue to carefully monitor funds available and spending to provide outstanding opportunities for our students while keeping costs within approved appropriations. The Five Year Forecast indicates a new one mill levy will be needed in the Calendar Year 2007. However, decreases in federal funding or state funding (reduced enrollment) may cause the district to consider additional funding sooner. Likewise, increases in federal or state funding may delay a levy request.

**Contacting the School District's Financial Management**

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



**Wayne County Joint Vocational School District**  
*Statement of Net Assets*  
*June 30, 2005*

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 5,928,756
Materials and Supplies Inventory	42,174
Accrued Interest Receivable	32,956
Accounts Receivable	768,596
Intergovernmental Receivable	208,828
Taxes Receivable	4,102,749
Land	354,000
Depreciable Capital Assets, net	1,605,140
<i>Total Assets</i>	13,043,199
<b>LIABILITIES:</b>	
Accounts Payable	109,656
Accrued Wages and Benefits	1,000,443
Intergovernmental Payable	167,030
Accrued Vacation Leave Payable	73,128
Matured Compensated Absences Payable	35,403
Unearned Revenue	3,551,694
Long-Term Liabilities:	
Due Within One Year	183,798
Due in More Than One Year	697,123
	1,578,044
<i>Total Liabilities</i>	5,818,275
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	1,937,147
Restricted for Capital Outlay	955,355
Restricted for Other Purposes	54,729
Unrestricted	4,277,693
<i>Total Net Assets</i>	\$ 7,224,924

See accompanying notes to the basic financial statements.

**Wayne County Joint Vocational School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2005

	<u>Program Revenues</u>			<b>Net (Expenses) Revenue and in Net Assets</b>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 1,375,957	\$ 89,294	\$ 0	\$ (1,286,663)
Special	14,793	13,100	0	(1,693)
Vocational	6,857,678	1,777,616	132,165	(4,947,897)
Adult/Continuing	339,115	0	490,745	151,630
Support Services:				
Pupils	660,857	0	687,361	26,504
Instructional Staff	1,209,942	299,687	65,790	(844,465)
Board of Education	28,244	0	0	(28,244)
Administration	1,067,575	0	0	(1,067,575)
Fiscal	470,198	6,741	0	(463,457)
Business	674	0	0	(674)
Operation and Maintenance of Plant	1,138,712	33,418	0	(1,105,294)
Pupil Transportation	85,208	0	0	(85,208)
Central	33,205	0	0	(33,205)
Operation of Non-Instructional Services	360,336	0	0	(360,336)
Food Service Operation	234,187	141,888	93,300	1,001
Extracurricular Activities	1,141	0	0	(1,141)
<i>Total Governmental Activities</i>	<u>\$ 13,877,822</u>	<u>\$ 2,361,744</u>	<u>\$ 1,469,361</u>	<u>\$ (10,046,717)</u>
<b>General Revenues:</b>				
Property Taxes, Levied for General Purposes				4,223,408
Grants and Entitlements not Restricted to Specific Programs				5,833,326
Gifts and Donations				27,677
Investment Earnings				118,757
Miscellaneous				642,123
<i>Total General Revenues</i>				<u>10,845,291</u>
<i>Change in Net Assets</i>				798,574
<i>Net Assets Beginning of Year, Restated(See Note 3)</i>				<u>6,426,350</u>
<i>Net Assets End of Year</i>				<u>\$ 7,224,924</u>

See accompanying notes to the basic financial statements.

**Wayne County Joint Vocational School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2005*

	<u>General</u>	<u>Adult Education</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 4,669,587	\$ 237,813	\$ 743,894	\$ 5,651,294
Restricted Cash and Cash Equivalents	277,462			277,462
Materials and Supplies Inventory	27,694	11,331	3,149	42,174
Accrued Interest Receivable	32,956	0	0	32,956
Accounts Receivable	15,605	116,979	636,012	768,596
Interfund Receivable	180,946	0	0	180,946
Intergovernmental Receivable	4,399	2,115	202,314	208,828
Taxes Receivable	4,102,749	0	0	4,102,749
<i>Total Assets</i>	<u>\$ 9,311,398</u>	<u>\$ 368,238</u>	<u>\$ 1,585,369</u>	<u>\$ 11,265,005</u>
<b>LIABILITIES:</b>				
Accounts Payable	27,712	61,948	19,996	109,656
Accrued Wages and Benefits	836,413	95,717	68,313	1,000,443
Interfund Payable	0	0	180,946	180,946
Intergovernmental Payable	127,940	21,316	17,774	167,030
Matured Compensated Absences Payable	15,324	20,079	0	35,403
Deferred Revenue	3,791,647	0	149,390	3,941,037
<i>Total Liabilities</i>	4,799,036	199,060	436,419	5,434,515
<b>FUND BALANCES:</b>				
Reserved:				
Reserved for Encumbrances	84,385	29,871	38,114	152,370
Reserved for Inventory	27,694	11,331	3,149	42,174
Reserved for Property Taxes	311,102	0	0	311,102
Reserved for Budget Stabilization	277,462	0	0	277,462
Unreserved, Undesignated, Reported in:				
General Fund	3,811,719	0	0	3,811,719
Special Revenue Funds	0	127,976	176,929	304,905
Capital Projects Funds	0	0	930,758	930,758
<i>Total Fund Balances</i>	<u>4,512,362</u>	<u>169,178</u>	<u>1,148,950</u>	<u>5,830,490</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 9,311,398</u>	<u>\$ 368,238</u>	<u>\$ 1,585,369</u>	<u>\$ 11,265,005</u>

See accompanying notes to the basic financial statements

**Wayne County Joint Vocational School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2005*

Total Governmental Fund Balances	\$	5,830,490
 <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.		1,959,140
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 149,390	
Delinquent Property Taxes	239,953	389,343
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Accrued Vacation Leave Payable		(73,128)
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Loans Payable	(21,993)	
Compensated Absences	(858,928)	(880,921)
Net Assets of Governmental Activities	\$	7,224,924

See accompanying notes to the basic financial statements.

**Wayne County Joint Vocational School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

	<u>General</u>	<u>Adult Education</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Taxes	\$ 4,299,630	\$ 0	\$ 0	\$ 4,299,630
Intergovernmental	5,833,326	492,766	1,347,778	7,673,870
Interest	118,757	0	17	118,774
Tuition and Fees	0	1,031,012	149,878	1,180,890
Rent	150	0	0	150
Gifts and Donations	0	0	27,677	27,677
Customer Sales and Services	106,902	371,764	208,758	687,424
Miscellaneous	19,370	0	610,167	629,537
<i>Total Revenues</i>	10,378,135	1,895,542	2,344,275	14,617,952
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	1,339,697	0	18,771	1,358,468
Special	0	0	14,793	14,793
Vocational	4,967,070	1,579,846	243,632	6,790,548
Adult/Continuing	0	0	336,327	336,327
<b>Support Services:</b>				
Pupils	326,686	0	333,537	660,223
Instructional Staff	583,766	494,888	131,896	1,210,550
Board of Education	28,244	0	0	28,244
Administration	938,607	0	121,665	1,060,272
Fiscal	443,800	6,697	13,861	464,358
Operation and Maintenance of Plant	1,076,925	33,694	21,589	1,132,208
Pupil Transportation	48,240	13,660	13,875	75,775
Central	0	0	33,205	33,205
Operation of Non-Instructional Services	0	2,749	353,311	356,060
Food Service Operations	0	0	234,187	234,187
Extracurricular Activities	1,000	0	141	1,141
Capital Outlay	0	0	56,541	56,541
<b>Debt Service:</b>				
Principal	0	0	8,798	8,798
<i>Total Expenditures</i>	9,754,035	2,131,534	1,936,129	13,821,698
<i>Excess (deficiency) of Revenues Over (Under) Expenditures</i>	624,100	(235,992)	408,146	796,254
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Transfers In	0	0	118,798	118,798
Transfers Out	(118,798)	0	0	(118,798)
<i>Total Other Financing Sources and (Uses)</i>	(118,798)	0	118,798	0
<i>Net Change in Fund Balances</i>	505,302	(235,992)	526,944	796,254
<i>Fund Balance at Beginning of Year</i>	4,007,060	405,170	622,006	5,034,236
<i>Fund Balance at End of Year</i>	<u>\$ 4,512,362</u>	<u>\$ 169,178</u>	<u>\$ 1,148,950</u>	<u>\$ 5,830,490</u>

See accompanying notes to the basic financial statements.

**Wayne County Joint Vocational School District**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2005*

Net Change in Fund Balances - Total Governmental Funds	\$	796,254
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which depreciation exceeded capital asset additions in the current period.		
Capital Asset Additions	\$ 216,181	
Current Year Depreciation	<u>(218,984)</u>	(2,803)
 Net effect of transactions involving disposal of capital assets are not reflected in the funds.		
		(3,255)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	134,666	
Delinquent Property Taxes	<u>(76,222)</u>	58,444
 Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Loan Principal		8,798
 Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(5,983)	
Vacation Payable	(73,128)	
Pension Obligation	<u>20,247</u>	<u>(58,864)</u>
 Change in Net Assets of Governmental Activities		 <u>\$ 798,574</u>

See accompanying notes to the basic financial statements.

**Wayne County Joint Vocational School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
For the Fiscal Year Ended June 30, 2005

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 4,390,300	\$ 4,390,300	\$ 4,628,528	\$ 238,228
Intergovernmental	5,400,000	5,400,000	5,833,326	433,326
Interest	45,000	45,000	90,894	45,894
Rent	0	0	150	150
Customer Sales and Services	44,700	24,700	106,902	82,202
Miscellaneous	90,000	70,000	1,629	(68,371)
<b>Total Revenues</b>	<b>9,970,000</b>	<b>9,930,000</b>	<b>10,661,429</b>	<b>731,429</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	1,440,829	1,381,829	1,355,336	26,493
Vocational	5,062,117	5,098,038	4,970,292	127,746
<b>Support Services:</b>				
Pupils	325,368	344,447	331,314	13,133
Instructional Staff	592,871	603,621	577,460	26,161
Board of Education	42,500	53,500	28,724	24,776
Administration	962,013	957,263	927,492	29,771
Fiscal	419,285	428,285	408,493	19,792
Operation and Maintenance of Plant	1,241,437	1,283,937	1,200,968	82,969
Pupil Transportation	43,873	51,873	38,805	13,068
<b>Total Expenditures</b>	<b>10,130,293</b>	<b>10,202,793</b>	<b>9,838,884</b>	<b>363,909</b>
Excess of Revenues Over (Under) Expenditures	(160,293)	(272,793)	822,545	1,095,338
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Advances In	20,000	20,000	168,770	148,770
Transfers Out	(36,500)	(126,500)	(119,798)	6,702
Advances Out	(50,000)	(225,000)	(180,946)	44,054
<b>Total Other Financing Sources and (Uses)</b>	<b>(66,500)</b>	<b>(331,500)</b>	<b>(131,974)</b>	<b>199,526</b>
Net Change in Fund Balances	(226,793)	(604,293)	690,571	1,294,864
Fund Balance (Deficit) at Beginning of Year	3,891,199	3,891,199	3,891,199	0
Prior Year Encumbrances Appropriated	261,793	261,793	261,793	0
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 3,926,199</b>	<b>\$ 3,548,699</b>	<b>\$ 4,843,563</b>	<b>\$ 1,294,864</b>

See accompanying notes to the basic financial statements.

**Wayne County Joint Vocational School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Adult Education Fund*  
*For the Fiscal Year Ended June 30, 2005*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
<b>REVENUES:</b>				
Intergovernmental	\$ 500,000	\$ 500,000	\$ 492,766	\$ (7,234)
Tuition and Fees	1,012,500	1,012,500	1,079,664	67,164
Customer Sales and Services	485,000	365,001	371,764	6,763
<b>Total Revenues</b>	<u>1,997,500</u>	<u>1,877,501</u>	<u>1,944,194</u>	<u>66,693</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Vocational	1,688,938	1,663,982	1,623,368	40,614
<b>Support Services:</b>				
Instructional Staff	467,853	492,703	467,319	25,384
Fiscal	7,395	7,895	6,697	1,198
Operation and Maintenance of Plant	32,360	35,178	34,132	1,046
Pupil Transportation	27,265	23,621	15,660	7,961
Operation of Non-Instructional Services	10,800	10,234	2,945	7,289
<b>Total Expenditures</b>	<u>2,234,611</u>	<u>2,233,613</u>	<u>2,150,121</u>	<u>83,492</u>
Excess of Revenues Over (Under) Expenditures	(237,111)	(356,112)	(205,927)	150,185
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Transfers In	2,500	2,500	0	(2,500)
Net Change in Fund Balances	(234,611)	(353,612)	(205,927)	147,685
Fund Balance (Deficit) at Beginning of Year	269,209	269,209	269,209	0
Prior Year Encumbrances Appropriated	84,611	84,611	84,611	0
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 119,209</u>	<u>\$ 208</u>	<u>\$ 147,893</u>	<u>\$ 147,685</u>

See accompanying notes to the basic financial statements.



**Wayne County Joint Vocational School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Fund*  
*June 30, 2005*

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	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 66,740</u>
<i>Total Assets</i>	<u><u>\$ 66,740</u></u>
Current Liabilities:	
Undistributed Monies	\$ 12,760
Due to Students	<u>53,980</u>
<i>Total Liabilities</i>	<u><u>\$ 66,740</u></u>

See accompanying notes to the basic financial statements.

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Wayne County Joint Vocational School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT**

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

The School District operates under an appointed fifteen-member Board of Education and provides educational services as mandated by state and/or federal agencies. The Board controls one instructional/support facility staffed by 40 noncertificated employees, 105 certificated full-time teaching personnel and eight administrators who provide services to 773 students and other community members.

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

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, the levying of taxes or the financial statements would be misleading if data from the component unit were not included. The School District has no component units.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Wayne County Joint Vocational School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. For the year ended June 30, 2005, the District has implemented GASB Statement No. 40 “*Deposit and Investment Risk Disclosure*” and GASB Technical Bulletin 2004-2 “*Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*”. There was no effect on beginning fund balances as a result of this implementation. The District’s significant accounting policies are described below.

Wayne County Joint Vocational School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District does not have any activities that are reported as business-type.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements**

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

**Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

**Governmental Funds**

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

Wayne County Joint Vocational School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

*Adult Education* – This fund accounts of educational opportunities offered on a tuition basis to preschoolers, youths and adults living within the community.

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

### **Propriety Fund**

The propriety fund focuses on the determination of the changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds or internal service funds.

### **Fiduciary Funds**

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

### **Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

### **Basis of Accounting**

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

Wayne County Joint Vocational School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

**Revenues – Exchanges and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: tuition fees, customer sales and service, investment earnings and grants and entitlements.

**Deferred Revenue**

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

Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2005, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenditures/Expenses**

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is

Wayne County Joint Vocational School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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incurred except for unmatured principal and interest on long term debt which is reported only when due and the costs of accumulated unpaid vacation and sick leave which are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by the employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

### **Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

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

### **Cash and Investments**

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

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

Following Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue has been credited to the General Fund and the Food Service Fund. Interest credited to the General Fund during fiscal year 2005 amounted to \$118,757 which includes \$22,448 assigned from other School District funds.

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

Wayne County Joint Vocational School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**Restricted Assets**

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

**Inventory**

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

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

**Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

**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.



Wayne County Joint Vocational School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**Compensated Absences**

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

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

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

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

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

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

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

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

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

**Accrued Liabilities and Long Term Obligations**

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

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits 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 year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

Wayne County Joint Vocational School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**Net Assets**

Net Assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantor or laws, or regulations of other governments.

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

**Fund Balance Reserves**

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

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

**Interfund Transactions**

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

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

**Estimates**

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

Wayne County Joint Vocational School District  
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**NOTE 3 – RESTATEMENT OF NET ASSETS**

For the period ending June 30, 2004 compensated absences were understated in error. The following is summary of the effect on the net asset amount reported in the basic financial statements for the period ending June 30, 2004:

	<u>Governmental Activities</u>
Net Assets, June 30, 2004	\$ 7,016,975
Understated Compensated Absences	<u>(590,625)</u>
Restated Net Assets June 30, 2004	<u><u>\$ 6,426,350</u></u>

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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Net Change in Fund Balance  
Major Governmental Funds

	General	Adult Education
GAAP Basis	\$ 505,302	\$ (235,992)
Net Adjustment for Revenue Accruals	283,294	48,652
Advance In	168,770	0
Advance Out	(180,946)	0
Net Adjustment for Expenditure Accruals	17,633	71,338
Encumbrances (Budget Basis)	(103,482)	(89,925)
Budget Basis	\$ 690,571	\$ (205,927)

**NOTE 5 – FUND DEFICITS**

Fund balances and net assets at June 30, 2005 included the following individual fund deficits:

	Deficit	
	Fund Balance	Net Assets
Nonmajor Governmental Funds:		
Food Service	\$ 450	\$ 2,021
School Net Professional Development	935	0
Career Development	1,686	0
Able Jobs	7,328	0
Adult Basic Education	18,247	0
Vocational Education	56,276	2,185
Title I	13,128	0
Title VI	3,427	0
Improving Teacher Quality	2,926	0

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

**NOTE 6 – DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates

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of deposits maturing not later than the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

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

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may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

### **Cash on Hand**

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

### **Deposits**

At fiscal year end, the carrying amount of the School District's deposits was \$2,970,221 and the bank balance was \$3,050,497. Of the bank balance:

1. \$300,000 was covered by federal depository insurance; and
2. \$2,750,497 was held in collateral pools with no specification for which such funds are held which is considered to be uninsured and uncollateralized as defined by GASB Statement No. 3. Although all State statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

### **Investments**

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

**Credit Risk:** The School District's only investments during the fiscal year were in an overnight repurchase account, with a year end balance of \$3,025,000. This account is not rated by Standard & Poor's or Moody's Investors Service.

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

### **NOTE 7- PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second half tax distributions are received in the first half of the following fiscal year. Second half distributions occur in a subsequent fiscal year. Property taxes include amounts levied against all real, public

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utility and tangible personal property used in business located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1, and are collected with real property taxes. Assessed values for real property are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 100 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the previous year. Tangible personal property assessments are 25 percent of true value, for capital assets and 23 percent of true value of inventory.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half		
	Residential/ Agriculture	Commercial/ Industrial	Public Utilities
Real Property:			
Wayne County	\$ 1,350,500,060	\$ 317,552,320	\$ 561,240
Medina County	6,428,690	10,045,170	2,000
Holmes County	28,837,940	2,884,770	0
Stark County	42,830	0	0
Ashland County	0	0	0
Grand Total	<u>\$ 1,385,809,520</u>	<u>\$ 330,482,260</u>	<u>\$ 563,240</u>
%	67.55%	16.11%	0.03%
			Total Assessed Value
Tangible Personal Property Tax:			
Wayne County	\$ 255,883,897	\$ 66,328,210	\$ 1,990,825,727
Medina County	3,846,956	660,090	20,982,906
Holmes County	6,410,100	1,566,470	39,699,280
Stark County	0	470	43,300
Ashland County	0	0	0
Grand Total	<u>\$ 266,140,953</u>	<u>\$ 68,555,240</u>	<u>\$ 2,051,551,213</u>
%	12.97%	3.34%	100.00%
Tax rate per \$1,000 of Assessed Valuation	\$ 4.10		

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

The Wayne, Medina, Holmes, Stark, and Ashland County Treasurers collect property tax on behalf of all taxing districts within the Counties. The County Auditors periodically advance to the School District their portion of the taxes collected. The amount available to the School District as an advance at June 30, 2005, is available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not



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intended to finance current year operations. The amount available as an advance at June 30 was \$311,102. The entire amount was available to the general fund. The amount available as an advance at June 30 is also reflected as a reservation of fund balance for future appropriations.

**NOTE 8 – RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes, accounts, interest, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**NOTE 9 – CAPITAL ASSETS**

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

	<u>Balance</u> <u>07/01/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/05</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 354,000	\$ 0	\$ 0	\$ 354,000
<i>Capital Assets, being depreciated:</i>				
Land Improvements	380,391	0	0	380,391
Buildings and Improvements	5,144,061	0	0	5,144,061
Furniture and Equipment	3,057,324	216,181	0	3,273,505
Vehicles	404,878	0	(29,683)	375,195
Total Capital Assets, being depreciated	8,986,654	216,181	(29,683)	9,173,152
Less Accumulated Depreciation:				
Land Improvements	(321,760)	(4,765)	0	(326,525)
Buildings and Improvements	(4,173,678)	(70,261)	0	(4,243,939)
Furniture and Equipment	(2,493,802)	(137,117)	0	(2,630,919)
Vehicles	(386,216)	(6,841)	26,428	(366,629)
Total Accumulated Depreciation	(7,375,456)	(218,984)	26,428	(7,568,012)
Total Capital Assets being depreciated, net	1,611,198	(2,803)	(3,255)	1,605,140
Governmental Capital Assets, net	<u>\$ 1,965,198</u>	<u>\$ (2,803)</u>	<u>\$ (3,255)</u>	<u>\$ 1,959,140</u>

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

Instruction:	
Regular	\$ 1,971
Vocational	180,095
Adult/Continuing	2,092
Support Services:	
Pupil	1,031
Instructional Staff	241
Administration	2,943
Business	674
Operation and Maintenance Plant	19,071
Pupil Transportation	6,178
Operation of Non-Instructional	4,688
Total Depreciation Expense	<u>\$ 218,984</u>

#### **NOTE 10 – RISK MANAGEMENT**

##### **General Insurance**

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

##### **Fidelity Bond**

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

##### **Workers' Compensation**

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

Wayne County Joint Vocational School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 11 – LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District from July 1, 2004 through June 30, 2005, were as follows:

	<u>Outstanding</u> <u>07/01/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding</u> <u>06/30/05</u>	<u>Due Within</u> <u>One Year</u>
<b>Government Type Activities:</b>					
General Obligation Bonds:					
Food Processing Building Loan					
0.00%, 12/02 - 12/07	\$ 30,791	\$ 0	\$ 8,798	\$ 21,993	\$ 8,798
	<u>30,791</u>	<u>0</u>	<u>8,798</u>	<u>21,993</u>	<u>8,798</u>
Compensated Absences Payable-Restated	<u>852,945</u>	<u>88,480</u>	<u>82,497</u>	<u>858,928</u>	<u>175,000</u>
Total Government Type Activities					
Long-Term Liabilities	<u>\$ 883,736</u>	<u>\$ 88,480</u>	<u>\$ 91,295</u>	<u>\$ 880,921</u>	<u>\$ 183,798</u>

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

Fiscal Year	Principal
Ending June 30,	<u>Principal</u>
2006	8,798
2007	8,798
2008	4,397
Total	<u>\$ 21,993</u>

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

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**NOTE 12 – INTERFUND BALANCES**

The composition of interfund receivable/payable as of June 30, 2005, on the Balance Sheet is as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 180,946	\$ 0
Nonmajor Governmental Funds	0	180,946
Total	\$ 180,946	\$ 180,946

Interfund receivables and payables resulted from the time lag between the dates that payments between funds are made. As of June 30, 2005, all interfund payables outstanding are anticipated to be repaid in fiscal year 2006.

**NOTE 13 – INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund statements:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 118,798
Nonmajor Governmental Funds		
Bond Retirement	8,798	0
Permanent Improvement Fund	100,000	
Rotary	10,000	0
Total	\$ 118,798	\$ 118,798

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

**NOTE 14 – PENSION PLANS**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone

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financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$198,002, \$185,975, and \$98,574, respectively; 96% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$ 7,594 represents the unpaid contribution for fiscal year 2005, and is recorded as a liability within the respective funds.

### **State Teachers Retirement System**

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

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

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

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

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$831,022, \$828,347, and \$511,748, respectively; 87% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal

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year 2005 were \$6,859 made by the School District and \$18,429 made by the plan members. \$109,666 represents the unpaid contribution for fiscal year 2005, and is recorded as a liability within the respective funds.

**NOTE 15 – POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$59,359 during the 2005 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, (latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, the 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2005, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$89,807.

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

**NOTE 16 – OTHER EMPLOYEE BENEFITS – COMPENSATED ABSENCES**

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

**NOTE 17 – JOINTLY GOVERNED ORGANIZATION**

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

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

**NOTE 18 – CONTINGENCIES**

**Grants**

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 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 decision 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 on its financial operations.

Wayne County Joint Vocational School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 20 – SET ASIDES**

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

Effective April 10, 2001, Senate Bill 345, eliminated the requirement that the School Districts establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the act.

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

	Budget Stabilization Reserve	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set Aside Cash Balance as of June 30, 2004	\$ 277,462	\$ 0	\$ 0	\$ 277,462
Set Aside Carry Over Balance as of June 30, 2004	0	0	(860,672)	(860,672)
Current Year Set-Aside Requirement	0	117,362	117,362	234,724
Qualifying Disbursements	0	(213,717)	(738,760)	(952,477)
Totals	<u>\$ 277,462</u>	<u>\$ (96,355)</u>	<u>\$ (1,482,070)</u>	<u>\$(1,300,963)</u>
Cash Balance Carried Forward FY 2006	<u>\$ 277,462</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 277,462</u>
Amount to Restrict for Set-Asides				<u>\$ 277,462</u>

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



January 13, 2006

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County Joint Vocational School District as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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

*Rea & Associates, Inc.*

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 13, 2006

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

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

### Compliance

We have audited the compliance of Wayne County Joint Vocational School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to the School District's major program for the year ended June 30, 2005. The School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Wayne County Joint Vocational School District's management. Our responsibility is to express an opinion on Wayne County Joint Vocational School District's compliance based on our audit.

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

In our opinion, Wayne County Joint Vocational School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards - Non GAAP Budgetary Basis

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County Joint Vocational School District, as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 13, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of Wayne County Joint Vocational School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Rea & Associates, Inc.*

**WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<b>U. S. Department of Education (passed through the Ohio Department of Education):</b>						
Adult Basic Education	AB-S1-2004	84.002	\$ (2,915)	\$ 0	\$ 30,752	\$ 0
Adult Basic Education	AB-S1-2004-C	84.002	2,915	0	2,915	0
Adult Basic Education	AB-S2-2004	84.002	(7,460)	0	6,264	0
Adult Basic Education	AB-S2-2004-C	84.002	7,460	0	7,460	0
Adult Basic Education	AB-S1-2005	84.002	60,221	0	163,885	0
Adult Basic Education	AB-S2-2005	84.002	27,288	0	33,346	0
Total Adult Basic Education			87,509	0	244,622	0
Vocational Education (Carl D. Perkins - Secondary)	20-C1-2004	84.048	64,081	0	38,024	0
Vocational Education (Carl D. Perkins - Adult)	20-C2-2004	84.048	12,823	0	3,420	0
Vocational Education (Carl D. Perkins - Secondary)	20-C1-2005	84.048	248,497	0	271,625	0
Vocational Education (Carl D. Perkins - Adult)	20-C2-2005	84.048	80,846	0	82,192	0
Total Vocational Education			406,247	0	395,261	0
Safe and Drug-Free Schools, Title IV-A	DR-S1-2004	84.186	1,203	0	0	0
Safe and Drug-Free Schools, Title IV-A	DR-S1-2005	84.186	1,931	0	1,931	0
Total Safe and Drug-Free Schools, Title IV-A			3,134	0	1,931	0
Even Start	EV-S1-2003	84.213	0	0	20,485	0
Even Start	EV-S1-2004	84.213	(33,911)	0	5,408	0
Even Start	EV-S1-2005	84.213	342,785	0	337,982	0
Total Even Start			308,874	0	363,875	0
Innovative Education Program, Title V	C2-S1-2004	84.298	3,451	0	755	0
Innovative Education Program, Title V	C2-S1-2005	84.298	2,507	0	3,474	0
Total Innovative Education Program, Title V			5,958	0	4,229	0
Improving Teacher Quality, Title II-A	TR-S1-2004	84.367	3,488	0	1,300	0
Improving Teacher Quality, Title II-A	TR-S1-2005	84.367	3,880	0	3,654	0
Total Improving Teacher Quality, Title II-A			7,368	0	4,954	0
<b>Total Ohio Department of Education Pass-Through</b>			<b>819,090</b>	<b>0</b>	<b>1,014,872</b>	<b>0</b>
<b>U.S. Department of Education (passed through the Ohio Rehabilitation Services Commission):</b>						
Vocational Rehabilitation Grants to States	N/A	84.126	17,825	0	17,825	0
<b>U.S. Department of Education (Direct Awards):</b>						
Pell Grant	N/A	84.063	335,608	0	335,628	0
Supplemental Educational Opportunity Grant	N/A	84.063	9,787	0	9,787	0
<b>Total Direct Awards</b>			<b>345,395</b>	<b>0</b>	<b>345,415</b>	<b>0</b>
<b>Total U.S. Department of Education</b>			<b>1,182,310</b>	<b>0</b>	<b>1,378,112</b>	<b>0</b>
<b>U.S. Department of Labor (passed through the Ohio Department of Education):</b>						
WIA Adult Program	N/A	17.258	73,337	0	73,337	0
<b>U.S. Department of Labor (passed through the Ohio Department of Job and Family Services):</b>						
Workers Trade Adjustment Assistance	N/A	17.245	24,082	0	24,082	0
<b>Total U.S. Department of Labor</b>			<b>97,419</b>	<b>0</b>	<b>97,419</b>	<b>0</b>
<b>U. S. Department of Agriculture (passed through the Ohio Department of Education):</b>						
Child Nutrition Cluster:						
Food Distribution Program (A) (B)	N/A	10.550	0	30,077	0	30,077
National School Lunch Program (A)	LL-P4-2005	10.555	59,524	0	59,524	0
<b>Total Department of Agriculture: Child Nutrition Cluster</b>			<b>59,524</b>	<b>30,077</b>	<b>59,524</b>	<b>30,077</b>
<b>Total Federal Assistance</b>			<b>\$ 1,339,253</b>	<b>\$ 30,077</b>	<b>\$ 1,535,055</b>	<b>\$ 30,077</b>

(A) Government commodities are reported at the fair market value of the commodities received and disbursed.  
(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.  
(N/A) Pass-through entity number is either not available or not applicable, as is the case with direct federal awards.

**WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , Section .505  
JUNE 30, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None were noted.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None were noted.



**Auditor of State  
Betty Montgomery**

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**WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
WAYNE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 4, 2006**