



Mary Taylor, CPA
Auditor of State

**JEFFERSON COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

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Mary Taylor, CPA

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INDEPENDENT ACCOUNTANTS' REPORT

Jefferson County Joint Vocational School District
Jefferson County
1509 Jefferson County Highway 22A
Bloomington, Ohio 43910

To the Board of Education:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 Jefferson County Joint Vocational School District, Jefferson County, Ohio, as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General 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 April 29, 2008, on our consideration of the 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 29, 2008

Jefferson County Joint Vocational School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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

Financial Highlights

Key financial highlights for the fiscal year 2006 are as follows:

- In total, net assets decreased \$100,740.
- General revenues accounted for \$4,151,820, in revenue or 80 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1,050,992 or 20 percent of total revenues of \$5,202,812.
- Total assets of governmental activities decreased \$259,934 primarily due to decreased cash and cash equivalents and annual depreciation expense of capital assets.
- The School District had \$5,303,552 in expenses related to governmental activities; only \$1,050,992 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$4,151,820 were not adequate to provide for these programs.
- The School District has one major fund, the General Fund. The General Fund had \$4,606,358 in revenues and \$4,757,366 in expenditures. Overall, including transfers the General Fund's balance decreased \$193,916.

Using this Annual Financial Report

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

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

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

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

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, 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 restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are considered to be Governmental Activities.

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, food service operations and debt service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of 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 fiscal 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 governmental operations and the basic services it provides. Governmental fund information helps the reader 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.

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

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 compared to 2005.

Table 1
Net Assets

	Governmental Activities		
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Assets			
Current and Other Assets	\$2,288,851	\$2,453,113	(\$164,262)
Capital Assets	<u>2,664,388</u>	<u>2,760,060</u>	<u>(\$95,672)</u>
Total Assets	<u>4,953,239</u>	<u>5,213,173</u>	<u>(\$259,934)</u>
Liabilities			
Long-Term Liabilities	321,704	412,571	(\$90,867)
Other Liabilities	<u>2,071,461</u>	<u>2,139,788</u>	<u>(\$68,327)</u>
Total Liabilities	<u>2,393,165</u>	<u>2,552,359</u>	<u>(\$159,194)</u>
Net Assets			
Invested in Capital Assets, Net of Debt	2,591,307	2,652,179	(\$60,872)
Restricted	108,466	145,967	(\$37,501)
Unrestricted	<u>(139,699)</u>	<u>(137,332)</u>	<u>(\$2,367)</u>
Total Net Assets	<u><u>\$2,560,074</u></u>	<u><u>\$2,660,814</u></u>	<u><u>(\$100,740)</u></u>

Total assets decreased \$259,934. The decrease was primarily due to decreased cash and cash equivalents as well as annual depreciation expense of capital assets.

Total liabilities decreased \$159,194. The primary cause for this decrease was a due to a decrease in accrued wages and benefits as well as debt service payments on the long-term note payable.

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

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2005 and 2006.

Table 2
Changes in Net Assets

	Governmental Activities		Change
	2006	2005	
Revenues			
Program Revenues			
Charges for Services	\$384,260	\$296,005	\$88,255
Operating Grants and Contributions	656,841	654,143	2,698
Capital Grants and Contributions	9,891	10,838	(947)
Total Program Revenues	1,050,992	960,986	90,006
General Revenues			
Property Taxes	1,624,126	1,623,960	166
Grants and Entitlements not Restricted to Specific Programs	2,474,987	2,335,673	139,314
Investments	17,455	6,862	10,593
Other	35,252	4,515	30,737
Total General Revenues	4,151,820	3,971,010	180,810
Total Revenues	5,202,812	4,931,996	270,816
Program Expenses			
Instruction			
Regular	304,337	253,499	50,838
Special	193,879	178,879	15,000
Vocational	3,027,684	2,861,445	166,239
Adult/Continuing	7,909	9,592	(1,683)
Support Services			
Pupil	177,886	218,843	(40,957)
Instructional Staff	292,901	292,074	827
Board of Education	77,543	56,580	20,963
Administration	197,622	204,182	(6,560)
Fiscal	228,025	228,801	(776)
Business	19,348	0	19,348
Operation and Maintenance of Plant	611,727	472,755	138,972
Pupil Transportaion	0	1,953	(1,953)
Central	27,830	32,975	(5,145)
Food Service Operations	131,844	112,028	19,816
Interest and Fiscal Charges	5,017	6,946	(1,929)
Total Expenses	5,303,552	4,930,552	373,000
Increase (Decrease) in Net Assets	(100,740)	1,444	(102,184)
Net Assets Beginning of Year	2,660,814	2,659,370	1,444
Net Assets End of Year	\$2,560,074	\$2,660,814	(\$100,740)

Jefferson County Joint Vocational School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

In 2006, 31 percent of the School District's revenues were from property taxes and 48 percent were from unrestricted grants and entitlements. Unrestricted grants and entitlements increased by \$139,314.

Instructional programs comprise approximately 67 percent of total governmental program expenses, and were up \$230,394 from fiscal year 2005. Overall, program expenses of the School District increased by \$373,000, with the largest increases being reflected in vocational instruction, and operation and maintenance of plant and vocational instruction.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2005 and 2006. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction				
Regular	\$304,337	\$253,499	\$304,337	\$253,499
Special	193,879	178,879	3,097	(17,911)
Vocational	3,027,684	2,861,445	2,387,686	1,703,360
Adult/Continuing	7,909	9,592	5,631	5,859
Support Services				
Pupil	177,886	218,843	170,790	154,343
Instructional Staff	292,901	292,074	276,798	264,030
Board of Education	77,543	56,580	77,543	56,580
Administration	197,622	204,182	175,771	161,685
Fiscal	228,025	228,801	227,862	228,440
Business	19,348	0	19,348	0
Operation and Maintenance of Plant	611,727	472,755	608,074	462,278
Pupil Transportaion	0	1,953	0	1,953
Central	27,830	32,975	1,495	4,026
Food Service Operations	131,844	112,028	(10,889)	(1,228)
Interest and Fiscal Charges	5,017	6,946	5,017	6,946
Total Expenses	\$5,303,552	\$4,930,552	\$4,252,560	\$3,283,860

The dependence upon tax revenues and state subsidies for governmental activities is apparent as 80 percent of expenses are supported through taxes and other general revenues. For all governmental activities general revenue support is approximately 78 percent.

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

The School District Funds

The School District's major fund is accounted for using the modified accrual basis of accounting. The general fund had total revenues of \$4,606,358 and expenditures of \$4,757,366. Overall, including transfers, the School District's general fund balance decreased \$193,916 during fiscal year 2006.

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 2006 the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006 the School District had \$2,664,388 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles.

See Note 10 for more detailed information of the School District's capital assets.

Debt

At June 30, 2006, the School District had \$73,081 in long-term tax anticipation notes outstanding.

See Note 16 for more information regarding debt.

Economic Factors

The Breezewood Manor Subdivision was fully implemented by 2003. Five parcels of land were subdivided and declared no longer needed for any school purpose and authorized for sale at public auction in accordance with the provisions of O.R.C. 3313.41.

A major expense to implement the project was the development of the subdivision. Completing the excavation and building a road to meet specifications for the township to assume responsibility for future upkeep and care, and installing county water and sewer, plus providing electrical service that meets all development requirements established by the Planning Commission was close to \$290,000. Since it was known early on to be a long-term project, debt was issued over a five-year period, however this is to be seen as an investment because the sale of houses will eventually pay the debt. This project was not designed to be "for profit" and not in competition with construction trades.

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

During fiscal year 2005, the second house was auctioned off and construction on the third house was started. Each house is estimated to take approximately a year and a half to complete. It is anticipated that an auction will take place early each spring due to the fact that new construction starts before the auction takes place.

During fiscal year 2006, a third house was partially constructed and will be auctioned off in the fall of 2006.

This project has been a good recruiting tool for the "trade" classes, resulting in an increase in enrollment.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 Karen Spoonmore, Treasurer/CFO at Jefferson County Joint Vocational School District, 1509 County Highway 22A, Bloomingdale, Ohio 43910.

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$214,180
Intergovernmental Receivable	3,880
Materials and Supplies Inventory	6,820
Cash and Cash Equivalents with Fiscal Agent	271,619
Asset Held for Resale	79,248
Property Taxes Receivable	1,713,104
Non-Depreciable Capital Assets	89,646
Depreciable Capital Assets, Net	<u>2,574,742</u>
<i>Total Assets</i>	<u>4,953,239</u>
Liabilities	
Accounts Payable	13,816
Accrued Wages and Benefits Payable	379,858
Intergovernmental Payable	74,927
Claims Payable	73,788
Deferred Revenue	1,423,153
Notes Payable	105,919
Long-Term Liabilities:	
Due Within One Year	44,171
Due In More Than One Year	<u>277,533</u>
<i>Total Liabilities</i>	<u>2,393,165</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,591,307
Restricted for:	
Capital Projects	58,755
Food Service	15,535
Federal Grants	1,465
Perkins Grant	59
Set Asides	17,604
Other Purposes	15,048
Unrestricted (Deficit)	<u>(139,699)</u>
<i>Total Net Assets</i>	<u><u>\$2,560,074</u></u>

See accompanying notes to the basic financial statements

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$304,337	\$0	\$0	\$0	(\$304,337)
Special	193,879	0	184,707	6,075	(3,097)
Vocational	3,027,684	276,313	363,685	0	(2,387,686)
Adult/Continuing	7,909	1,086	1,192	0	(5,631)
Support Services:					
Pupil	177,886	0	7,096	0	(170,790)
Instructional Staff	292,901	7,531	8,572	0	(276,798)
Board of Education	77,543	0	0	0	(77,543)
Administration	197,622	21,851	0	0	(175,771)
Fiscal	228,025	0	0	163	(227,862)
Business	19,348				(19,348)
Operation and Maintenance of Plant	611,727	0	0	3,653	(608,074)
Central	27,830	0	26,335	0	(1,495)
Food Service Operations	131,844	77,479	65,254	0	10,889
Interest and Fiscal Charges	5,017	0	0	0	(5,017)
<i>Total Governmental Activities</i>	<u>\$5,303,552</u>	<u>\$384,260</u>	<u>\$656,841</u>	<u>\$9,891</u>	<u>(4,252,560)</u>

General Revenues

Property Taxes Levied for General Purposes	1,510,421
Property Taxes Levied for Capital Purposes	113,705
Grants and Entitlements not Restricted to Specific Programs	2,474,987
Gifts and Donations	3,200
Investment Earnings	17,455
Miscellaneous	32,052
<i>Total General Revenues</i>	<u>4,151,820</u>
Change in Net Assets	(100,740)
<i>Net Assets Beginning of Year</i>	<u>2,660,814</u>
<i>Net Assets End of Year</i>	<u>\$2,560,074</u>

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District

Balance Sheet

Governmental Funds

June 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$116,338	\$80,238	\$196,576
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	17,604	0	17,604
Receivables:			
Property Taxes	1,593,316	119,788	1,713,104
Intergovernmental	0	3,880	3,880
Interfund	3,880	0	3,880
Assets Held for Resale	79,248	0	79,248
Materials and Supplies Inventory	0	6,820	6,820
<i>Total Assets</i>	<u>\$1,810,386</u>	<u>\$210,726</u>	<u>\$2,021,112</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$13,816	\$0	\$13,816
Accrued Wages and Benefits	372,662	7,196	379,858
Interfund Payable	0	3,880	3,880
Intergovernmental Payable	65,725	9,202	74,927
Notes Payable	105,919	0	105,919
Deferred Revenue	1,472,626	110,704	1,583,330
<i>Total Liabilities</i>	<u>2,030,748</u>	<u>130,982</u>	<u>2,161,730</u>
Fund Balances (Deficit)			
Reserved for Encumbrances	19,585	27,487	47,072
Reserved for Property Taxes	120,690	9,084	129,774
Reserved for Budget Stabilization	17,604	0	17,604
Unreserved, Undesignated, Reported in:			
General Fund	(378,241)	0	(378,241)
Special Revenue Funds	0	24,311	24,311
Capital Projects Funds	0	18,862	18,862
<i>Total Fund Balances (Deficit)</i>	<u>(220,362)</u>	<u>79,744</u>	<u>(140,618)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,810,386</u>	<u>\$210,726</u>	<u>\$2,021,112</u>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances (\$140,618)

*Amounts reported for governmental activities in the
statement of net assets are different because*

Capital assets used in governmental activities are not financial
resources and therefore are deferred in the funds. 2,664,388

Other long-term assets, including property taxes, are not available to
pay for current period expenditures and therefore are deferred in the funds. 160,177

An internal service fund is used by management to charge the costs of
insurance to individual funds. The assets and liabilities of the internal
service fund are included in governmental activities in the statement of net assets. 197,831

Long-term liabilities, including notes payable, are not due and payable
in the current period and therefore are not reported in the funds:

Notes Payable	73,081
Compensated Absences	248,623
	248,623

Total (321,704)

Net Assets of Governmental Activities \$2,560,074

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$1,499,069	\$112,828	\$1,611,897
Intergovernmental	2,790,865	350,854	3,141,719
Interest	10,670	0	10,670
Tuition and Fees	273,702	8,617	282,319
Extracurricular Activities	0	24,462	24,462
Contributions and Donations	0	3,200	3,200
Charges for Services	0	77,479	77,479
Miscellaneous	32,052	0	32,052
<i>Total Revenues</i>	<u>4,606,358</u>	<u>577,440</u>	<u>5,183,798</u>
Expenditures			
Current:			
Instruction:			
Regular	304,191	0	304,191
Special	198,589	0	198,589
Vocational	2,688,041	335,213	3,023,254
Adult/Continuing	0	6,176	6,176
Support Services:			
Pupil	171,237	6,784	178,021
Instructional Staff	288,252	29,165	317,417
Board of Education	75,964	0	75,964
Administration	178,368	26,776	205,144
Fiscal	237,563	2,678	240,241
Business	19,348		19,348
Operation and Maintenance of Plant	590,380	60,158	650,538
Central	2,423	25,407	27,830
Food Service Operations	0	126,899	126,899
Debt Service:			
Principal Retirement	0	34,800	34,800
Interest and Fiscal Charges	3,010	2,007	5,017
<i>Total Expenditures</i>	<u>4,757,366</u>	<u>656,063</u>	<u>5,413,429</u>
<i>Excess of Revenues Under Expenditures</i>	(151,008)	(78,623)	(229,631)
Other Financing Sources (Uses)			
Transfers In	11,485	54,393	65,878
Transfers Out	(54,393)	(11,485)	(65,878)
Total Other Financing Sources (Uses)	<u>(42,908)</u>	<u>42,908</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(193,916)	(35,715)	(229,631)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(26,446)</u>	<u>115,459</u>	<u>89,013</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>(\$220,362)</u></u>	<u><u>\$79,744</u></u>	<u><u>(\$140,618)</u></u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds		(\$229,631)
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital depreciation exceeded outlay in the current period.		
Capital Outlay	141,122	
Depreciation	<u>(236,794)</u>	
Total		(95,672)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Property Taxes	<u>12,229</u>	
Total		12,229
Repayment of principal on long-term notes payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		34,800
Some expenses reported in the statement of activities, such as compensated absences which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences Payable		56,067
The internal service fund used by management to charge the costs of insurance to individual funds is included in the statement of activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenues of the internal service fund are allocated among governmental activities.		
		<u>121,467</u>
<i>Changes in Net Assets of Governmental Activities</i>		<u>(\$100,740)</u>
See accompanying notes to the basic financial statements		

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$1,523,255	\$1,523,255	\$1,523,255	\$0
Intergovernmental	2,790,865	2,790,865	2,790,865	0
Interest	10,670	10,670	10,670	0
Tuition and Fees	273,702	273,702	273,702	0
Miscellaneous	32,035	32,035	32,035	0
<i>Total Revenues</i>	<u>4,630,527</u>	<u>4,630,527</u>	<u>4,630,527</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	293,224	299,145	299,145	0
Special	190,553	195,358	195,358	0
Vocational	2,663,038	2,733,002	2,733,002	0
Support Services:				
Pupils	166,160	169,619	169,619	0
Instructional Staff	275,993	284,649	284,649	0
Board of Education	79,414	81,719	81,719	0
Administration	171,882	178,491	178,491	0
Fiscal	218,662	233,957	233,957	0
Operation and Maintenance of Plant	599,494	617,629	617,629	0
Central	2,691	2,691	2,691	0
<i>Total Expenditures</i>	<u>4,661,111</u>	<u>4,796,260</u>	<u>4,796,260</u>	<u>0</u>
Excess of Revenues Under Expenditures	<u>(30,584)</u>	<u>(165,733)</u>	<u>(165,733)</u>	<u>0</u>
Other Financing Sources (Uses)				
Transfers In	11,485	11,485	11,485	0
Advances In	27,000	27,000	27,000	0
Transfers Out	(109,603)	(109,603)	(109,603)	0
Advances Out	(3,880)	(3,880)	(3,880)	0
Total Other Financing Sources (Uses)	<u>(74,998)</u>	<u>(74,998)</u>	<u>(74,998)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(105,582)	(240,731)	(240,731)	0
<i>Fund Balance Beginning of Year</i>	318,111	318,111	318,111	0
Prior Year Encumbrances Appropriated	<u>26,765</u>	<u>26,765</u>	<u>26,765</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$239,294</u>	<u>\$104,145</u>	<u>\$104,145</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2006

	<u>Governmental Activity Internal Service Fund</u>
Current Assets	
Cash and Cash Equivalents with Fiscal Agent	\$271,619
Current Liabilities	
Claims Payable	<u>73,788</u>
Net Assets	
Unrestricted	<u>197,831</u>
<i>Total Net Assets</i>	<u><u>\$197,831</u></u>

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2006

	<u>Governmental Activity</u> <u>Internal Service</u> <u>Fund</u>
Operating Revenues	
Charges for Services	<u>\$919,736</u>
Operating Expenses	
Purchased Services	127,168
Claims	<u>677,886</u>
<i>Total Operating Expenses</i>	<u>805,054</u>
<i>Operating Income</i>	114,682
Non-Operating Revenues	
Interest	<u>6,785</u>
<i>Change in Net Assets</i>	121,467
<i>Net Assets Beginning of Year</i>	<u>76,364</u>
<i>Net Assets End of Year</i>	<u><u>\$197,831</u></u>

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2006

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$919,736
Cash Payments for Goods and Services	(127,168)
Cash Payments for Claims	(640,926)
	151,642
<i>Net Cash Provided by Operating Activities</i>	<i>151,642</i>
Cash Flows from Investing Activities	
Interest	6,785
	6,785
<i>Net Cash Provided by Investing Activities</i>	<i>6,785</i>
<i>Net Increase in Cash and Cash Equivalents</i>	158,427
<i>Cash and Cash Equivalents Beginning of Year</i>	113,192
<i>Cash and Cash Equivalents End of Year</i>	\$271,619
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$114,682
Increase in Liabilities:	
Claims Payable	36,960
	36,960
<i>Net Cash Provided by Operating Activities</i>	<i>\$151,642</i>

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$37,366</u>
<i>Total Assets</i>	<u><u>\$37,366</u></u>
Liabilities	
Due to Students	<u>\$37,366</u>
<i>Total Liabilities</i>	<u><u>\$37,366</u></u>

See accompanying notes to the basic financial statements

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Jefferson County Joint Vocational School District is a joint vocational school district as defined by Section 331.18 of the Ohio Revised Code and 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. A vocational school exposes students to job training leading to employment upon graduation from high school. The Jefferson County Joint Vocational School District includes five member schools throughout Jefferson County and one member school from Carroll County.

The School District operates under a nine member Board of Education and is responsible for the provision of public education to residents of the school district. The Board of Education consists of three members of the Jefferson County Educational Resource Center, two members of the Steubenville City School District and one member of Toronto City, Indian Creek Local, Buckeye Local and Edison Local School Districts.

The Jefferson County Board of Education was the sponsoring Board of Education initiating the Jefferson County Joint Vocational School District. The initial meeting of the Jefferson County Joint Vocational School District Board was held on May 6, 1970. Three levy attempts failed in 1970, 1971, and 1972. A special levy was placed on the ballot in July 1972 and passed.

Ground breaking occurred on January 26, 1974. September, 1975 the Jefferson County Joint Vocational School District opened with 375 students and 15 programs. The first senior class completed their programs in June of 1977. Currently, the District is staffed by 22 non-certificated employees and 42 certificated personnel who provide services to 395 students and other community members.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Jefferson County Joint Vocational School District, this includes general operations, food service, and student related activities of the School District.

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, or the levying of taxes.

No separate governmental units meet the criteria for inclusion as a component unit. The following activity is included within the reporting entity:

The School District is involved with six organizations, three of which are defined as jointly governed organization, two that are defined as insurance purchasing pools and one that is defined as a claims servicing pool. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Coalition of Rural and Appalachian Schools (CORAS), East Central Ohio Special Education Regional Resource Center (ECOSERRC), the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Schools of Ohio Risk Sharing Authority and the Ohio Mid-Eastern

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Regional Educational Service Agency (OME-RESA) self insurance plan. These organizations are presented in Notes 17 and 18.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Jefferson County Joint Vocational School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. 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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

B. Fund Accounting

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

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

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

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service.

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The School District's fiduciary fund is an 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.

C. Measurement Focus

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

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

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

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 funds 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 activity.

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected 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 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 7). Revenue from grants 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: property taxes available as an advance, interest, tuition, grants, student fees, customer sales and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." The School District utilizes a self-insurance third party administrator to review and pay claims. Money held by the administrator is presented in the proprietary fund statement of net assets as "cash and cash equivalents with fiscal agents".

During fiscal year 2006, investments were limited to STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for at June 30, 2006.

Following Ohio statues, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$10,670 which includes \$2,834, assigned from other School District funds.

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

F. 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, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set aside to create a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

G. Assets Held for Resale

As an integral part of the instructional laboratory experience for the Construction Trades programs, houses are constructed on land owned by the School District for the purpose of being sold at public auction upon completion. Transactions are conducted through the School District's General Fund for reporting purposes.

During fiscal year 2004, the School District completed and sold one house, as well as completed the road and water and sewer assets that were given to the township and county respectively. During fiscal year 2005, the School District completed and sold a second house. The proceeds from the sale offset the building expenditures and asset held for resale on a modified accrual basis for the fiscal year 2005 activity.

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

The value of the third home that was partially constructed at June 30, 2006 is \$79,248 and is recorded as an asset held for resale.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Land Improvements	20 Years
Buildings and Improvements	10-50 Years
Furniture, Fixtures and Equipment	5-20 Years
Vehicles	5-20 Years

K. 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 on the statement of net assets.

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

L. Compensated Absences

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

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

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

M. 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, and compensated absences, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes are recognized as a liability on the governmental fund financial statements when due or when resources are available.

N. Interfund Activity

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

O. Fund Balance Reserves

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

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

P. 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

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include local receipts restricted for student programs. The government-wide statement of net assets reports, \$108,466 of restricted net assets. Of the restricted net assets, none has resulted from enabling legislation.

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

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

S. Estimates

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

T. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund, function, object level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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 amended certificate in effect when the final appropriations were passed by the Board.

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

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

Change in Accounting Principles – For the fiscal year ended June 30, 2006, the School District has implemented GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”, and GASB Statement No. 47, “Accounting for Termination Benefits.”

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 47 establishes accounting standards for termination benefits. The implementation of this statement had no effect on the financial statements.

NOTE 4 – FUND DEFICIT

The General fund’s deficit balance of \$220,362 was created primarily by the application of generally accepted accounting principles as well as spending in excess of revenues. The District needs to monitor future spending.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund:

	<u>General</u>
GAAP Basis	(\$193,916)
Revenue Accruals	51,169
Expenditure Accruals	(12,107)
Advance Out	(3,880)
Principal Repayment of Note	(52,200)
Encumbrances	<u>(29,797)</u>
Budget Basis	<u><u>(\$240,731)</u></u>

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio).
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

At June 30, 2006, the School District's internal service fund had a balance of \$271,619 with OME-RESA, a claims servicing pool (See Note 18). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$219,075 of the School District's bank balance of \$319,075 was exposed to custodial credit risk because it was uninsured and uncollateralized although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2006, the School District had an investment in Star Ohio. The fair value of the investment in Star Ohio was \$25,548, and the investment has an average maturity of 34.77 days.

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Interest Rate Risk. The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. 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 alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property tax) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Jefferson, Harrison, Carroll and Belmont Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are 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 includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$120,690 in the general fund and \$9,084 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2005, was \$144,876 in the general fund and \$10,905 in the permanent improvement capital projects fund.

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

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

	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$903,532,450	71.46%	\$939,492,21	75.07%
Public Utility Personal	236,869,400	18.74%	221,822,000	17.72%
General Business Personal	123,864,614	9.80%	90,194,442	7.21%
	<u>\$1,264,266,464</u>	<u>100.00%</u>	<u>\$1,251,508,652</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$1.50		\$1.50	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2006, consisted of property taxes and intergovernmental grants. 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. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$160,177 may not be collected within one year. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
High Schools That Work Grant	<u>\$3,880</u>

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 9 – INTERNAL BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at June 30, 2006 consisted of the following individual interfund receivables and payables:

	<u>Interfund Receivable</u>
	<u>General Fund</u>
<u>Interfund Payable</u>	
Other Governmental	\$3,880

The loan to the Miscellaneous State Grants Special Revenue Fund was made to support the programs until the state grant monies are received.

B. Transfers

	<u>Transfer to</u>		
	<u>Major Fund</u>	<u>Other</u>	
	<u>General</u>	<u>Nonmajor</u>	
		<u>Governmental</u>	<u>Total</u>
<u>Transfer from</u>			
General Fund	\$0	\$54,393	\$54,393
Other Nonmajor Governmental	11,485	0	11,485
Total All Funds	\$11,485	\$54,393	\$65,878

The transfer from the General Fund to the other nonmajor governmental funds was to move tax receipts for repayment of the tax anticipation notes as debt service payments came due, as well as to support the programs of the Miscellaneous State and Adult Education Funds. The transfer from the other nonmajor governmental funds to the General Fund was to close the Workforce Investment Act program that is no longer active.

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

NOTE 10 - CAPITAL ASSETS

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

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
Nondepreciable Capital Assets:				
Land	\$89,646	\$0	\$0	\$89,646
Depreciable Capital Assets:				
Land Improvements	99,391	0		99,391
Buildings and Improvements	5,023,012	39,411	0	5,062,423
Furniture and Equipment	2,001,682	101,711	0	2,103,393
Vehicles	38,030	0	0	38,030
Total Depreciable Capital Assets	7,162,115	141,122	0	7,303,237
Accumulated Depreciation:				
Land Improvements	(35,807)	(5,888)	0	(41,695)
Buildings and Improvements	(2,827,264)	(117,959)	0	(2,945,223)
Furniture and Equipment	(1,594,677)	(111,095)	0	(1,705,772)
Vehicles	(33,953)	(1,852)	0	(35,805)
Total Accumulated Depreciation	(4,491,701)	(236,794)	0	(4,728,495)
Total Depreciable Capital Assets, Net	2,670,414	(95,672)	0	2,574,742
Governmental Capital Assets, Net	\$2,760,060	(\$95,672)	\$0	\$2,664,388

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Vocational	\$172,807
Adult/Continuing	1,733
Support Services:	
Administration	5,372
Fiscal	1,180
Operation of Maintenance and Plant	53,169
Food Service Operations	2,533
Total Depreciation Expense	<u>\$236,794</u>

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 11- RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006 the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) (Note 18) for property, general liability, and fleet insurance. Coverages provided are as follows:

A. Property and Liability

<i>Property - Including Inland Marine and Miscellaneous Equipment:</i>	
Building and Contents-replacement cost (\$1,000 deductible)	\$16,415,750
<i>Crime Cover:</i>	
Employee Dishonesty (\$1,000 deductible)	\$50,000
Fogery (\$1,000 deductible)	\$50,000
Computer Fraud (\$1,000 deductible)	\$50,000
Theft, Disappearance, and Destruction (\$1,000 deductible)	
<i>General Liability:</i>	
Each Occurance	2,000,000
Aggregated Limit	4,000,000
<i>Automobile Liability:</i>	
Owed/Leased Vehicles	2,000,000
Medical Payments - Occurance	5,000
Medical Payments - Aggregate	25,000
Uninsured Motorist	1,000,000
Physical Damage (\$1,000 deductible)	100,000
<i>School Boards Error and Omissions:</i>	
Each Occurance (\$5,000 deductible)	2,000,000

Settled claims have not exceeded commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

In addition, insurance coverage through Westfield Insurance Company is provided for builders risk insurance for the housing division subdivision project at Breezewood Manor. It provides coverage for \$100,000 liability and \$1,000 inland marine with no deductibles.

B. Worker's Compensation

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 18). The plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

school districts apply for participation each year. The firm of Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

C. Employee Medical Benefits

Medical, prescription, dental and vision insurance is offered to all employees through a self-insurance internal service fund. The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool, consisting of fifty members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical/surgical coverage plan coverage is based on a usual, customary, and reasonable claim plan. There is a \$100 annual deductible per single or \$200 annual deductible per family for this portion of the coverage. The Board's share of the premiums for this coverage is \$821.15 for individual coverage per month and \$1,631.17 for family coverage per month which represents 95 percent of the total premium. The premium is paid from the fund that pays the salary of the covered employee. Premiums for the dental coverage are \$45.04 per month for single coverage and \$99.79 per month for family coverage and the Board pays 95 percent of the premiums. Premiums for vision coverage are \$8.37 a month for single coverage and \$18.72 for family coverage and are 100 percent covered by the Board.

The claims liability of \$73,788 reported in the internal service fund at June 30, 2006 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2005	\$81,913	\$595,714	\$640,799	\$36,828
2006	36,828	677,886	640,926	73,788

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$46,903, \$46,150, \$35,361, respectively; 95.96 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

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

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$279,991, \$269,134, \$273,138, respectively; 100 percent has been contributed for fiscal years 2006, 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2005 were \$72, made by the School District and \$90 made by the plan members.

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2006, no members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and 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 funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$21,444 for fiscal year 2006.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay has been established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$21,976.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2005, (the latest information available), were \$178,221,113. At June 30, 2005, SERS had

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

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net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants receiving health care benefits.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees who work 260 days per year earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 233 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

B. Other Insurance Benefits

Life insurance is in the amount of \$30,000 for all certified teachers and classified employees and \$50,000 for administrators.

NOTE 15 – FUND OBLIGATIONS

The School District issued a \$436,000 tax anticipation note at 2.23 percent on January 23, 2004. The note was issued for capital purposes in the amount of \$175,881 (40 percent) for repair to ventilation in the school facility, which is reflected as a long-term obligation of the School District (See Note 16), and for operating purposes in the amount of \$260,119 (60 percent) for constructing a road and water and sewer lines for a housing subdivision project being conducted for instructional purposes by the carpentry class. The note is to be repaid over a five year period from general fund tax receipts. During fiscal year 2006, the payment of \$87,000 was made (\$34,800 for the capital portion of the note and \$52,200 for the operating portion of the note). The note was issued in anticipation of tax receipts and is backed by the full faith and credit of the School District.

A summary of the change in the note payable during fiscal year 2006 is as follows:

	Principal Outstanding 6/30/05	Additions	Deductions	Principal Outstanding 6/30/06
2004 Tax Anticipation Notes				
\$260,119 @ 2.23%	\$158,119	\$0	\$52,200	\$105,919

Jefferson County Joint Vocational School District

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For the Fiscal Year Ended June 30, 2006*

The summary of the debt repayments to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$52,800	\$2,411	\$55,211
2008	53,119	1,219	54,338
Total	<u>\$105,919</u>	<u>\$3,630</u>	<u>\$109,549</u>

NOTE 16 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Principal Outstanding 6/30/05	Additions	Deductions	Principal Outstanding 6/30/06	Amounts Due Within One Year
2004 Tax Anticipation Note \$175,881 @ 2.23%	\$107,881	\$0	\$34,800	\$73,081	\$35,200
Compensated Absences	304,690	52,002	108,069	248,623	8,971
Total Governmental Long-Term Obligations	<u>\$412,571</u>	<u>\$52,002</u>	<u>\$142,869</u>	<u>\$321,704</u>	<u>\$44,171</u>

The School District issued a \$436,000 tax anticipation note at 2.23 percent on January 23, 2004. The note was issued for capital purposes in the amount of \$175,881 (40 percent) for repair to ventilation in the school facility, which is reflected as a long-term obligation of the School District, and for operating purposes in the amount of \$260,119 (60 percent) for constructing a road and water and sewer lines for the a housing subdivision project being conducted for instructional purposes by the carpentry class, which is reflected as a fund liability of the School District (See Note 15). The note is to be repaid over a five year period from General Fund tax receipts transferred to the debt service fund. During fiscal year 2006, the payment of \$87,000 was made (\$34,800 for the capital portion of the note and \$52,200 for the operating portion of the note). The note was issued in anticipation of tax receipts and is backed by the full faith and credit of the School District.

The summary of the debt repayments to maturity are as follows:

Ending June 30	Principal	Interest	Total
2007	\$35,200	\$1,607	\$36,807
2008	37,881	813	38,694
Total	<u>\$73,081</u>	<u>\$2,420</u>	<u>\$75,501</u>

Compensated absences will be paid from the General Fund.

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

The School District's voted legal debt margin was \$90,010,811 with an unvoted debt margin of \$1,002,109, at June 30, 2006.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)

Ohio Mid-Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. During fiscal year 2006, the total amount paid to OME-RESA from the School District was \$12,499. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

B. Coalition of Rural and Appalachian Schools (CORAS)

The Coalition of Rural and Appalachian Schools (CORAS) – The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2006.

C. East Central Ohio Special Education Regional Resource Center (ECOSERRC)

East Central Ohio Special Education Regional Resource Center (ECOSERRC) – The East Central Ohio Special Education Regional Resource Center is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio that operates under the direction of an Advisory Board that consists of one or more superintendents from each of the 10 participating counties. This Board establishes policy, approves the budget and recommends employment through its fiscal agent, Tuscarawas, Carroll, Harrison Educational Service Center. The ECOSERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECOSERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECOSERRC.

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

NOTE 18 – PUBLIC ENTITY POOLS

A. Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Schools of Ohio Risk Sharing Authority – The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a protected self-insurance purchasing pool under the authority of Ohio Revised Code 2744. Sixty-six school districts, educational service centers and joint vocational school districts participate in the SORSA. SORSA is governed by a board of trustees elected by members. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials errors and omissions liability insurance.

B. Claims Servicing Pool

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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 the 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, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve.

During fiscal year 2004, the Board of Education passed a resolution to maintain only the refunds from the Bureau of Workers Compensation in the budget reserve pursuant to State Statute.

Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2006	\$0	\$0	\$17,604
Current Year Set-aside Requirement	58,012	58,012	0
Prior Year Allowable Carry Forward	(198,800)	0	0
Current Year Offsets	0	(124,544)	0
Qualifying Disbursements	<u>(125,343)</u>	<u>0</u>	<u>0</u>
Totals	<u>(\$266,131)</u>	<u>(\$66,532)</u>	<u>\$17,604</u>
Allowable Carry Forward at June 30, 2006	0	(175,881)	0
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$266,131)</u>	<u>(\$175,881)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2006	<u>\$0</u>	<u>\$0</u>	<u>\$17,604</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. Although the School District had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. The School District also had prior year capital expenditures from note proceeds in connection with a heating/ventilating project that may be carried forward to offset future set-aside requirements. The total reserve balance for the three set-asides at the end of the fiscal year was \$17,604.

NOTE 20- CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

The School District is currently party to legal proceedings. The School District management is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Jefferson County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 21- SUBSEQUENT EVENT

Effective January 1, 2007 the School District will change from Self-Funded Plans' Third Party Administrations System to Medical Mutual of Ohio's Third Party Claim Administration System for medical, prescription drug and dental claims. This is a change from the current MMO Traditional Provider Network to MMO's SuperMed Plus Preferred Provider Organization (PPO) Network. The change will include both "In Network" and "Out of Network" benefits and a MMO prescription drug card.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Jefferson Joint Vocational School District
Jefferson County
1509 Jefferson County Highway 22A
Bloomington, Ohio 43910

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County Joint Vocational School District, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated April 29, 2008, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Jefferson County Joint Vocational School District
Jefferson County
Independent Accountants' Report on Internal Control Over Financial
Reporting and On Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management and the Board of Education. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

April 29, 2008



Mary Taylor, CPA
Auditor of State

JEFFERSON COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

JEFFERSON 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 27, 2008**