



Mary Taylor, CPA
Auditor of State

**OHIO HI-POINT JOINT VOCATIONAL SCHOOL DISTRICT
LOGAN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Ohio Hi-Point Joint Vocational School District
Logan County
2280 State Route 540 East
Bellefontaine, Ohio 43311-9594

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 Ohio Hi-Point Joint Vocational School District, Logan County, (the District), as of and for the fiscal 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 Ohio Hi-Point Joint Vocational School District, Logan County, as of June 30, 2006, and the respective changes in financial position thereof, 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 March 27, 2007, 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 and the budgetary comparisons for the General Fund and Post Secondary Vocational Education Fund are not a required part of the basic financial statements but are 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.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

March 27, 2007

OHIO HI-POINT JOINT VOCATIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2006
(Unaudited)

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

Financial Highlights

Key financial highlights for 2006 are as follows:

- Net assets of governmental activities decreased \$1,037,370 which represents a 7% decrease from 2005.
- General revenues accounted for \$8,954,973 in revenue or 78% of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$2,522,054 or 22% of total revenues of \$11,477,027.
- The District had \$12,514,397 in expenses related to governmental activities; only \$2,522,054 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$8,954,973 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. The General and Post Secondary Vocational Education Funds are the major funds of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2006?” The Government-wide Financial Statements answers 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 District’s *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- Governmental Activities – All of the District’s programs and services are reported here including instruction, support services and operation of non-instructional services.

Fund Financial Statements

The analysis of the District’s major funds is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds.

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District programs. These funds use the accrual basis of accounting.

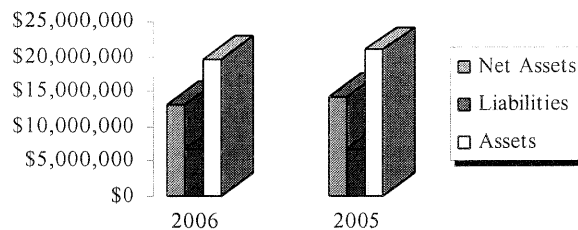
The District as a Whole

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

Table 1 provides a summary of the District's net assets for 2006 compared to 2005.

Table 1
Net Assets

	Governmental Activities	
	2006	2005 Restated
Assets		
Current Assets	\$13,720,238	\$14,230,176
Capital Assets	5,902,524	5,897,870
Total Assets	19,622,762	20,128,046
Liabilities		
Long-Term Liabilities	1,092,930	1,013,584
Other Liabilities	5,580,026	5,127,286
Total Liabilities	6,672,956	6,140,870
Net Assets		
Invested in Capital		
Assets Net of Debt	5,435,856	5,397,870
Restricted	712,254	743,988
Unrestricted	6,801,696	7,845,318
Total Net Assets	\$12,949,806	\$13,987,176



Over time, assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$12,949,806.

At year-end, capital assets represented 30% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2006, was \$5,435,856. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$712,254, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital assets and invested in capital assets net of debt increased from the prior year due primarily to the depreciation expense being less than current year new purchases. Other liabilities increased from the prior year due largely to the increase in deferred revenue. This increase in deferred revenue was caused by an increase in taxes receivable 2006.

Table 2 shows the change in net assets for fiscal year 2006 with comparisons to fiscal year 2005.

Table 2
Changes in Net Assets

	Governmental Activities	
	2006	2005 Restated
Revenues		
Program Revenues:		
Charges for Services	\$1,112,556	\$1,042,690
Operating Grants	1,409,498	1,245,747
General Revenue:		
Property Taxes	5,264,874	5,679,579
Grants and Entitlements	3,037,176	2,444,432
Other	652,923	433,777
Total Revenues	<u>11,477,027</u>	<u>10,846,225</u>
Program Expenses:		
Instruction	5,974,350	6,090,312
Support Services:		
Pupil and Instructional Staff	1,688,236	1,586,200
General and School Administrative, Fiscal and Business	1,504,614	1,332,490
Operations and Maintenance	1,493,631	1,416,393
Pupil Transportation	40,004	30,934
Central	1,478,148	587,665
Operation of Non-Instructional Services	335,414	354,878
Total Expenses	<u>12,514,397</u>	<u>11,398,872</u>
Change in Net Assets	(1,037,370)	(552,647)
Beginning Net Assets	<u>13,987,176</u>	<u>14,539,823</u>
Ending Net Assets	<u>\$12,949,806</u>	<u>\$13,987,176</u>

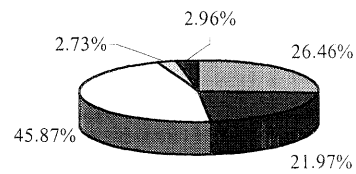
The District saw grants and entitlements increase from the prior year mainly due to the increase in the amount of grant monies received. The District had an increase in central expense primarily due to the District's major upgrades to network infrastructure and the purchasing of new computer equipment for 2006.

Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 72% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The District has a 2.0 mill continuing levy. The District has not sought voter approval since approximately 1977 for any additional funds. The District always collects 2.0 mills on the valuation and they do get inflationary increases. Property taxes made up 46% of revenue for governmental activities for the District in fiscal year 2006.

Revenue Sources	2006	Percent of Total
General Grants	\$3,037,176	26.46%
Program Revenues	2,522,054	21.97%
General Tax Revenues	5,264,874	45.87%
Investment Earnings	313,661	2.73%
Other Revenues	339,262	2.96%
	<u>\$11,477,027</u>	<u>100.00%</u>



Instruction comprises 48% of governmental program expenses. Support services expenses were 49% of governmental program expenses. All other expenses were 3%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005 Restated	2006	2005 Restated
Instruction	\$5,974,350	\$6,090,312	(\$4,500,114)	(\$4,784,326)
Support Services:				
Pupil and Instructional Staff	1,688,236	1,586,200	(1,139,431)	(1,008,994)
General and School Administrative, Fiscal and Business	1,504,614	1,332,490	(1,309,285)	(1,162,240)
Operations and Maintenance	1,493,631	1,416,393	(1,432,857)	(1,406,633)
Pupil Transportation	40,004	30,934	(40,004)	(30,934)
Central	1,478,148	587,665	(1,468,602)	(582,347)
Operation of Non-Instructional Services	335,414	354,878	(102,050)	(137,237)
Miscellaneous Expenditures	0	0	0	2,276
Total Expenses	\$12,514,397	\$11,398,872	(\$9,992,343)	(\$9,110,435)

The District's Funds

The District has two major governmental funds: the General Fund and Post Secondary Vocational Education Fund. Assets of the general fund comprised \$12,873,525 (92%) and the post secondary vocational education fund comprised \$150,828 (1%) of the total \$13,984,168 governmental funds assets.

General Fund: Fund balance at June 30, 2006 was \$7,263,463 a decrease in fund balance of \$900,209 from 2005. The decrease in fund balance is due primarily to an increase in central expense for major upgrades to the network infrastructure and the purchasing of new computer equipment in 2006.

Post Secondary Vocational Education Fund: Fund balance at June 30, 2006 was \$80,126 including \$63,049 of unreserved balance. This was an increase in fund balance of \$6,008. The fund remained relatively consistent from 2005 to 2006.

General Fund Budgeting Highlights

The 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 District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the budget basis revenue was \$9,610,420, greater than original budget estimates of \$9,204,363. Of the \$406,057 difference, most was due to estimates for taxes and intergovernmental revenue.

The District's General Fund ending unobligated cash balance was \$1,109,761 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$5,902,524 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2006 balances compared to fiscal 2005:

Table 4
Capital Assets

	Governmental Activities	
	2006	2005 Restated
Land	\$412,076	\$412,076
Buildings and Improvements	4,295,844	4,457,988
Equipment	1,194,604	1,027,806
Total Net Capital Assets	<u>\$5,902,524</u>	<u>\$5,897,870</u>

The increase in capital assets is due to the depreciation expense being less than new purchases for the year.

See notes to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2006, the District had \$466,668 in loans payable, \$33,333 due within one year. Table 5 summarizes loans outstanding at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2006	2005
ODE Construction/Equipment Loan	<u>\$466,668</u>	<u>\$500,000</u>
Total	<u>\$466,668</u>	<u>\$500,000</u>

See notes to the basic financial statements for further details on the District's outstanding debt.

For the Future

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

Management must plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Eric Adelsberger, Treasurer at Ohio Hi-Point Joint Vocational School District, 2280 State Route 540, Bellefontaine, Ohio 43311.

Ohio Hi-Point Joint Vocational School District
Statement of Net Assets
June 30, 2006

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$7,979,829
Restricted Cash and Investments	39,643
Receivables:	
Taxes	5,476,439
Accounts	94,714
Interest	14,492
Intergovernmental	112,430
Inventory	2,691
Nondepreciable Capital Assets	412,076
Depreciable Capital Assets, Net	<u>5,490,448</u>
 Total Assets	 <u>19,622,762</u>
Liabilities:	
Accounts Payable	126,501
Accrued Wages and Benefits	651,712
Unearned Revenue	4,801,813
Long-Term Liabilities:	
Due Within One Year	128,818
Due In More Than One Year	<u>964,112</u>
 Total Liabilities	 <u>6,672,956</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	5,435,856
Restricted for:	
Capital Projects	672,611
Set-Aside	39,643
Unrestricted	<u>6,801,696</u>
 Total Net Assets	 <u>\$12,949,806</u>

See accompanying notes to the basic financial statements.

Ohio Hi-Point 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	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$1,046,673	\$35,587	\$241,510	(\$769,576)
Special	287,418	0	0	(287,418)
Vocational	3,542,096	0	81,977	(3,460,119)
Adult/Continuing	1,097,894	665,185	447,903	15,194
Other	269	0	2,074	1,805
Support Services:				
Pupil	563,742	108	136,639	(426,995)
Instructional Staff	1,124,494	102,974	309,084	(712,436)
General Administration	44,148	0	0	(44,148)
School Administration	686,529	104,405	53,814	(528,310)
Fiscal	400,651	0	0	(400,651)
Business	373,286	23,036	14,074	(336,176)
Operations and Maintenance	1,493,631	10,850	49,924	(1,432,857)
Pupil Transportation	40,004	0	0	(40,004)
Central	1,478,148	0	9,546	(1,468,602)
Operation of Non-Instructional Services	335,414	170,411	62,953	(102,050)
Total Governmental Activities	<u>\$12,514,397</u>	<u>\$1,112,556</u>	<u>\$1,409,498</u>	<u>(9,992,343)</u>

General Revenues:

Property Taxes Levied for:

General Purposes	5,264,874
Grants and Entitlements not Restricted to Specific Programs	3,037,176
Unrestricted Contributions	211,343
Investment Earnings	313,661
Other Revenues	127,919

Total General Revenues 8,954,973

Change in Net Assets (1,037,370)

Net Assets Beginning of Year, Restated 13,987,176

Net Assets End of Year \$12,949,806

See accompanying notes to the basic financial statements.

Ohio Hi-Point Joint Vocational School District
Balance Sheet
Governmental Funds
June 30, 2006

	General	Post Secondary Vocational Education	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$7,073,921	\$58,964	\$846,944	\$7,979,829
Restricted Cash and Investments	39,643	0	0	39,643
Receivables:				
Taxes	5,476,439	0	0	5,476,439
Accounts	5,100	89,614	0	94,714
Interest	14,492	0	0	14,492
Intergovernmental	0	2,250	110,180	112,430
Interfund	263,930	0	0	263,930
Inventory	0	0	2,691	2,691
Total Assets	12,873,525	150,828	959,815	13,984,168
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	89,374	1,765	35,362	126,501
Accrued Wages and Benefits	529,954	50,469	71,289	651,712
Compensated Absences	20,856	13,468	0	34,324
Interfund Payable	0	2,750	261,180	263,930
Deferred Revenue	4,969,878	2,250	108,336	5,080,464
Total Liabilities	5,610,062	70,702	476,167	6,156,931
Fund Balances:				
Reserved for Encumbrances	346,577	17,077	30,220	393,874
Reserved for Inventory	0	0	2,691	2,691
Reserved for Property Tax Advances	506,561	0	0	506,561
Reserved for Set-Aside	39,643	0	0	39,643
Unreserved, Designated for Capital Projects	0	0	172,611	172,611
Unreserved, Undesignated, Reported in:				
General Fund	6,370,682	0	0	6,370,682
Special Revenue Funds	0	63,049	(221,874)	(158,825)
Capital Projects Funds	0	0	500,000	500,000
Total Fund Balances	7,263,463	80,126	483,648	7,827,237
Total Liabilities and Fund Balances	\$12,873,525	\$150,828	\$959,815	\$13,984,168

See accompanying notes to the basic financial statements.

Ohio Hi-Point Joint Vocational School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2006

Total Governmental Fund Balance		\$7,827,237
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 not reported in the funds.		5,902,524
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	176,439	
Intergovernmental	<u>102,212</u>	
		278,651
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(591,938)</u>	
		(591,938)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(466,668)</u>
Net Assets of Governmental Activities		<u>\$12,949,806</u>

See accompanying notes to the basic financial statements.

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

	General	Post Secondary Vocational Education	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$5,343,791	\$0	\$3,582	\$5,347,373
Tuition and Fees	35,587	861,319	34,389	931,295
Investment Earnings	312,010	0	1,651	313,661
Intergovernmental	3,037,176	309,498	1,061,690	4,408,364
Charges for Services	0	0	170,411	170,411
Other Revenues	266,068	911	61,569	328,548
Total Revenues	8,994,632	1,171,728	1,333,292	11,499,652
Expenditures:				
Current:				
Instruction:				
Regular	872,859	0	183,216	1,056,075
Special	282,024	0	0	282,024
Vocational	3,174,933	0	118,920	3,293,853
Adult/Continuing	117,229	850,604	430,524	1,398,357
Other	0	0	269	269
Support Services:				
Pupil	425,926	0	119,123	545,049
Instructional Staff	708,439	174,798	212,893	1,096,130
General Administration	36,553	0	0	36,553
School Administration	559,235	103,894	6,672	669,801
Fiscal	400,195	0	0	400,195
Business	331,663	36,424	3,000	371,087
Operations and Maintenance	1,439,304	0	0	1,439,304
Pupil Transportation	54,164	0	0	54,164
Central	1,484,317	0	10,542	1,494,859
Operation of Non-Instructional Services	0	0	321,829	321,829
Debt Service:				
Principal Retirement	0	0	33,332	33,332
Total Expenditures	9,886,841	1,165,720	1,440,320	12,492,881
Excess of Revenues Over (Under) Expenditures	(892,209)	6,008	(107,028)	(993,229)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	0	37,472	37,472
Transfers In	0	0	8,000	8,000
Transfers (Out)	(8,000)	0	0	(8,000)
Total Other Financing Sources (Uses)	(8,000)	0	45,472	37,472
Net Change in Fund Balance	(900,209)	6,008	(61,556)	(955,757)
Fund Balances Beginning of Year	8,163,672	74,118	545,204	8,782,994
Fund Balances End of Year	\$7,263,463	\$80,126	\$483,648	\$7,827,237

See accompanying notes to the basic financial statements.

Ohio Hi-Point Joint Vocational School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balance - Total Governmental Funds (S955,757)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital asset additions 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 of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	470,992	
Depreciation Expense	<u>(446,848)</u>	24,144

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (19,490)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(78,917)	
Intergovernmental	<u>38,310</u>	(40,607)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 33,332

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	<u>(78,992)</u>	(78,992)
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Change in Net Assets of Governmental Activities (S1,037,370)

See accompanying notes to the basic financial statements.

Ohio Hi-Point Joint Vocational School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	<u>\$4,551</u>	<u>\$40,635</u>
Total Assets	<u>4,551</u>	<u>\$40,635</u>
Liabilities:		
Accounts Payable	0	3,424
Due to Students	<u>0</u>	<u>37,211</u>
Total Liabilities	<u>0</u>	<u>\$40,635</u>
Net Assets:		
Held in Trust	<u>4,551</u>	
Total Net Assets	<u>\$4,551</u>	

See accompanying notes to the basic financial statements.

Ohio Hi-Point Joint Vocational School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2006

	Private Purpose Trust
Additions:	
Donations	<u>\$3,413</u>
Total Additions	<u>3,413</u>
Deductions:	
Scholarships	<u>3,680</u>
Total Deductions	<u>3,680</u>
Change in Net Assets	(267)
Net Assets Beginning of Year	<u>4,818</u>
Net Assets End of Year	<u><u>\$4,551</u></u>

See accompanying notes to the basic financial statements.

OHIO HI-POINT JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006

1. DESCRIPTION OF THE DISTRICT

Ohio Hi-Point Joint Vocational School District (the District) is a district of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating districts' elected boards, which possesses its own budgeting and taxing authority. The District exposes students to job training leading to employment upon graduation from high school. Ohio Hi-Point Joint Vocational School District includes fourteen member schools throughout Logan, Hardin, Champaign, Union and Auglaize counties.

The District was established on January 27, 1970. It is staffed by approximately 38 non-certified employees and approximately 78 certified full-time teaching personnel who provide services to approximately 496 high school students and approximately 1,883 adult students and other community members.

REPORTING ENTITY

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District currently has no component units.

The District is associated with one jointly governed organization and two insurance purchasing pools. These organizations are the Western Ohio Computer Organization, the Logan County Schools Benefit Plan Association and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations and the District's participation are discussed in notes 12 and 13 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 most significant of the District's accounting policies are described below.

MEASUREMENT FOCUS

Government-wide Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the 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 and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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 fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary Funds (except agency funds) are reported using the economic resources measurement focus.

FUND ACCOUNTING

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

Governmental Funds

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

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

Post Secondary Vocational Education – The post secondary vocation education fund is used to account for federal funds for the development of vocational education programs.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust fund and two agency funds. The private purpose trust fund accounts for scholarship programs for students. The student managed activity agency fund accounts for assets and liabilities generated by student managed activities. The grant agency fund accounts for Pell Grant and guarantee student loan money awarded/loaned to adult students for tuition.

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. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the actual 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 District, available means expected to be received within sixty days of fiscal year end.

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

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.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

Expenses/Expenditures

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

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. However, debt service expenditures, as well as any expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

EQUITY IN POOLED CASH AND INVESTMENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

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

During the current fiscal year, investments were limited to STAR Ohio, U.S. agency securities, money market account and certificates of deposit.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2006. 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 on June 30, 2006.

Following Ohio statutes, the Board 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 \$312,010, which includes \$45,492 assigned from other District funds.

INVENTORY

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

CAPITAL ASSETS

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand five hundred dollars (\$2,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Building Improvements	10 - 40 years
Buildings	30 - 50 years
Furniture and Equipment	5 - 20 years

COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

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

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

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty 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 do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Employees may accumulate unlimited sick leave.

Each employee upon retirement with a minimum of five (5) years Ohio Hi Point Vocational School employment shall receive severance payment, based upon the employee's rate of pay at retirement, equal to 27.5%, 30% or 33%, depending on service of the employee's accumulated, but unused sick leave at retirement up to a maximum accrual of 200 days or a maximum of 66 days severance payment.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

NET ASSETS

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

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

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.

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

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

FUND EQUITY

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for inventory, encumbrances, statutory set-asides and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

DESIGNATIONS

As of July 1, 2002, the Permanent Improvement Fund is designated and spent on the following projects within a five-year period ending June 30, 2007: Storage/Maintenance facility construction, Tech Center ground level completion, ADD compliant restroom with shower – main building and roofing improvements – main building.

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.

RESTRICTED ASSETS

Restricted assets in the general fund represent equity in pooled cash and investments set aside to establish textbook and capital acquisition reserves. A corresponding fund balance reserve has also been established.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

3. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two-five year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2006, \$5,782,951 of the District's bank balance of \$6,259,511 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2006, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
STAR Ohio	\$1,178,607	0.01
Money Market Accounts	6,562	0.00
Federal Home Loan Bank	225,000	0.19
Federal Home Loan Bank – Discount Notes	234,055	0.01
Federal Home Loan Mortgage Corporation – Discount Notes	674,631	0.24
Federal National Mortgage Association– Discount Notes	<u>194,683</u>	<u>0.07</u>
Total Fair Value	<u>\$2,513,538</u>	
Portfolio Weighted Average Maturity		0.27

Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the maturity of its individual investments to five years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District’s investments in Federal Home Loan Bank, Federal Home Loan Bank – Discount Notes, Federal Home Loan Mortgage Corporation – Discount Notes, Federal National Mortgage Association – Discount Notes and in the Money Market Funds were rated AAA by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. Investments in STAR Ohio were rated AAAM by Standard& Poor’s.

Concentration of credit risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested more than 52 percent of the District’s investments in the Federal Home Loan Bank, Federal Home Loan Bank – Discount Notes, Federal Home Loan Mortgage Corporation – Discount Notes, Federal National Mortgage Association – Discount Notes.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are registered in the name of the District. The District does not have a policy for custodial credit risk.

4. PROPERTY TAXES

Real property taxes collected in 2006 were levied after April 1, 2005 on the assessed values as of January 1, 2005, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent re-evaluation was completed in January, 1998.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined).

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2006. The entire amount of delinquent taxes receivable is recognized as a revenue on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2006, was \$506,561 for General Fund and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2006 operations. The District receives taxes from Logan, Hardin, Champaign, Union, Allen, Madison, Shelby, Wyandot and Auglaize counties.

The assessed value, by property classification, upon which taxes collected in calendar year 2006 were based as follows:

Tangible and Public Utility Personal	\$505,025,659
Real Estate	<u>2,273,431,700</u>
Total Assessed Property Value	<u>\$2,778,457,359</u>

5. RECEIVABLES

Receivables at June 30, 2006, consisted of taxes, accounts (rent and student fees), intergovernmental grants, interfund and interest. 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.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	<u>Amounts</u>
Post Secondary Vocational Education	\$2,250
Vocation Education Enhancement	11,670
Miscellaneous State Grants	3,780
Adult Basic Education	26,832
Vocational Education	60,601
Drug Free School Grant	533
Miscellaneous Federal Grants	<u>6,764</u>
Total	<u>\$112,430</u>

6. CAPITAL ASSETS

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

	Restated Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$412,076	\$0	\$0	\$412,076
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	8,771,162	63,633	0	8,834,795
Equipment	3,397,940	407,359	186,262	3,619,037
Totals at Historical Cost	<u>12,581,178</u>	<u>470,992</u>	<u>186,262</u>	<u>12,865,908</u>
Less Accumulated Depreciation:				
Buildings and Improvements	4,313,174	225,777	0	4,538,951
Equipment	<u>2,370,134</u>	<u>221,071</u>	<u>166,772</u>	<u>2,424,433</u>
Total Accumulated Depreciation	<u>6,683,308</u>	<u>446,848</u>	<u>166,772</u>	<u>6,963,384</u>
Governmental Activities Capital Assets, Net	<u>\$5,897,870</u>	<u>\$24,144</u>	<u>\$19,490</u>	<u>\$5,902,524</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$35,011
Vocational	254,725
Adult/Continuing	44,425
Support Services:	
Pupil	6,561
Instructional Staff	15,219
General Administration	7,595
School Administration	4,730
Business	1,227
Operations and Maintenance	56,552
Pupil Transportation	2,464
Central	6,749
Operation of Non-Instructional Services	11,590
Total Depreciation Expense	<u>\$446,848</u>

7. LONG-TERM LIABILITIES

The change in the District’s long-term obligations during the year consist of the following:

	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:					
Loans:					
ODE Construction/Equipment Loan	\$500,000	\$0	\$33,332	\$466,668	\$33,333
Compensated Absences	513,584	172,507	59,829	626,262	95,485
Total Governmental Activities	<u>\$1,013,584</u>	<u>\$172,507</u>	<u>\$93,161</u>	<u>\$1,092,930</u>	<u>\$128,818</u>

The following is a summary of the District’s future annual debt service requirements for general obligations:

Fiscal Year Ending June 30	Loan Principal	Loan Interest	Total
2007	\$33,333	\$0	\$33,333
2008	33,333	0	33,333
2009	33,333	0	33,333
2010	33,333	0	33,333
2011	33,333	0	33,333
2012-2016	166,667	0	166,667
2017-2021	<u>133,336</u>	<u>0</u>	<u>133,336</u>
Total	<u>\$466,668</u>	<u>\$0</u>	<u>\$466,668</u>

Vocational Building Assistance Loan – On April 25, 2005, the District received a loan for the purpose of constructing a building or purchasing equipment under the authority of House Bill 66. The loan was issued for a fifteen-year period at 0% with final maturity during fiscal year 2021. The debt will be retired from the debt service fund.

8. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The 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% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll; 10.58% which is 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$143,996, \$133,681, and \$100,565, respectively; 100% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004.

STATE TEACHERS RETIREMENT SYSTEM

The District participates in 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 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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 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% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2006, 2005, and 2004 were \$634,577, \$609,010, and \$552,136, respectively; 100% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. Contributions for the defined contribution plan and combined plan for the fiscal year ended June 30, 2006 were \$5,309 made by the District and \$14,262 made by plan members.

SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, seven Board of Education members have elected Social Security. The District's liability is 6.2% of wages paid.

9. POST EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits included hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Benefit provision 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.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$48,814 for fiscal year 2006.

STRS 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 fiscal year ended June 30, 2005 (the latest information available), 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 premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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. For the District, this amount equaled \$66,975 for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries.

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 fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

10. CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2006.

11. RISK MANAGEMENT

PROPERTY AND LIABILITY

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's vehicles are covered under a business policy with the Cincinnati Insurance Company, which carries a \$2,500 deductible and a \$1,000,000 limit on any accident. Settled claims have not exceeded this commercial coverage in any of the past four years.

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2006, the District contracted with the Ohio School Plan for general liability insurance with a \$1,000,000 single occurrence and a \$3,000,000 aggregate. Building and business personal property is protected by the Cincinnati Insurance Company and has a \$2,500 deductible. In the event of an earthquake, a \$5,000 deductible applies. The District insures electronic data processing equipment in the amount of \$500,000 and electronic data processing media in the amount of \$106,250 with extra expenses in the amount of \$150,000 for labor costs to get the system back online. The District's deductible for electronic data processing is \$250.

Settled claims have not exceeded this commercial coverage in any of the past four years.

WORKERS' COMPENSATION

For fiscal year 2006, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

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

12. JOINTLY GOVERNED ORGANIZATION

Western Ohio Computer Organization (WOCO) - The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Hardin, Auglaize, Shelby, Logan, Miami and Champaign Counties. The organization was formed for the purpose of applying modem technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Financial information can be obtained from Sonny Ivey, who serves as Director, at 129 East Court Street, 4th Floor, Sidney, Ohio 45365.

13. INSURANCE POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program – The District participates in the Ohio School Board 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 Districts pay an enrollment fee to the GRP to cover costs of administering the program.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of this agreement.

Logan County Schools Benefit Plan Association – The District participates in the Logan County Schools Benefit Plan Association (the Plan); a public entity shared risk pool consisting of three local school districts, one joint vocational school district and the Logan County Educational Service Center. The District pays monthly premiums to the Plan for employee medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

14. ACCOUNTABILITY

The following funds had a deficit in fund balance:

Special Revenue Funds:	
Vocational Education Enhancement	\$745
Adult Basic Education	18,721
Vocational Education	92,412
Drug Free School	533
Miscellaneous Federal Grants	5,552
Food Service Fund	66,420
Uniform School Supplies	55,972

The deficit in fund balances were due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

15. STATUTORY RESERVES

The 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 the acquisition and construction of capital improvements. The District utilizes the Senate Bill 345 calculation for textbooks and instructional materials set-aside and the House Bill 412 calculation for the Capital Improvements set-aside. Amounts not spent by year-end or offset by similar 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.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2005	\$2,575	\$43,470
Current Year set-aside Requirements	77,780	220,160
Current Year Offsets	0	0
Qualifying Disbursements	<u>(62,134)</u>	<u>(242,208)</u>
Total	<u>\$18,221</u>	<u>\$21,422</u>
Set-aside Balance Carried Forward to Future Years	<u>\$18,221</u>	<u>\$21,422</u>

16. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2006, consisted of the following interfund fund receivables and payables and transfers in and transfers out:

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$263,930	\$0	\$0	\$8,000
Post Secondary Vocational Education	0	2,750	0	0
Other Governmental Funds	<u>0</u>	<u>261,180</u>	<u>8,000</u>	<u>0</u>
	<u>\$263,930</u>	<u>\$263,930</u>	<u>\$8,000</u>	<u>\$8,000</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

17. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets for Insurance Recoveries"; GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to all termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

18. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was required to restate capital assets at June 30, 2005 due to an increase in the capitalization threshold to \$2,500. This restatement had the following effect on net asset at June 30, 2005:

	Governmental Activities
Net assets as previously reported, June 30, 2005	\$14,423,974
Restatement for capital assets	<u>(436,798)</u>
Net assets restated, June 30, 2005	<u>\$13,987,176</u>

19. OUTSTANDING CONTRACT

At June 30, 2006 the following contract was outstanding:

H & S Asphalt Paving of Student Parking Lot	\$44,346
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Ohio Hi-Point Joint Vocational School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	General Fund			Variance from Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$5,057,287	\$5,280,392	\$5,280,392	\$0
Investment Earnings	296,511	309,592	309,592	0
Intergovernmental	2,908,850	3,037,176	3,037,176	0
Charges for Services	34,083	35,587	35,587	0
Other Revenues	256,659	267,982	267,982	0
Total Revenues	8,553,390	8,930,729	8,930,729	0
Expenditures:				
Current:				
Instruction:				
Regular	946,188	942,779	863,969	78,810
Special	302,441	277,167	276,160	1,007
Vocational	3,507,055	3,591,676	3,202,308	389,368
Adult/Continuing	128,385	117,331	117,229	102
Support Services:				
Pupil	480,150	468,277	438,427	29,850
Instructional Staff	778,889	741,839	711,207	30,632
General Administration	54,675	78,306	49,924	28,382
School Administration	631,321	606,220	576,462	29,758
Fiscal	457,013	439,662	417,301	22,361
Business	386,521	538,364	352,934	185,430
Operations and Maintenance	1,755,463	1,659,487	1,602,921	56,566
Pupil Transportation	62,469	75,165	57,041	18,124
Central	1,818,403	1,824,528	1,660,392	164,136
Operation of Non-Instructional Services	0	10,000	0	10,000
Total Expenditures	11,308,973	11,370,801	10,326,275	1,044,526
Excess of Revenues Over (Under) Expenditures	(2,755,583)	(2,440,072)	(1,395,546)	1,044,526
Other financing sources (uses):				
Advances In	650,973	679,691	679,691	0
Advances (Out)	(667,793)	(675,000)	(609,765)	65,235
Transfers (Out)	(8,761)	(8,000)	(8,000)	0
Total Other Financing Sources (Uses)	(25,581)	(3,309)	61,926	65,235
Net Change in Fund Balance	(2,781,164)	(2,443,381)	(1,333,620)	1,109,761
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	8,011,236	8,011,236	8,011,236	0
Fund Balance End of Year	\$5,230,072	\$5,567,855	\$6,677,616	\$1,109,761

See accompanying notes to the required supplementary information.

Ohio Hi-Point Joint Vocational School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	Post Secondary Vocational Education			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Tuition and Fees	\$715,346	\$868,896	\$868,896	\$0
Intergovernmental	257,315	312,548	312,548	0
Other Revenues	750	911	911	0
Total Revenues	<u>973,411</u>	<u>1,182,355</u>	<u>1,182,355</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Adult/Continuing	760,397	862,442	862,019	423
Support Services:				
Instructional Staff	127,505	162,507	160,810	1,697
School Administration	83,053	107,029	104,747	2,282
Business	30,165	40,124	38,044	2,080
Total Expenditures	<u>1,001,120</u>	<u>1,172,102</u>	<u>1,165,620</u>	<u>6,482</u>
Excess of Revenues Over (Under) Expenditures	<u>(27,709)</u>	<u>10,253</u>	<u>16,735</u>	<u>6,482</u>
Other financing sources (uses):				
Advances In	81,139	98,555	98,555	0
Advances (Out)	(1,473)	0	(98,855)	(98,855)
Total Other Financing Sources (Uses)	<u>79,666</u>	<u>98,555</u>	<u>(300)</u>	<u>(98,855)</u>
Net Change in Fund Balance	51,957	108,808	16,435	(92,373)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>23,685</u>	<u>23,685</u>	<u>23,685</u>	<u>0</u>
Fund Balance End of Year	<u>\$75,642</u>	<u>\$132,493</u>	<u>\$40,120</u>	<u>(\$92,373)</u>

See accompanying notes to the required supplementary information.

**OHIO HI- POINT JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2006**

1. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the five year forecast and “voted and unvoted debt outside the \$10 mill limit”, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The five year forecast demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is the Board’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund and function level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2006.

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

While the 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 Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) 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 as follows:

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 for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and post secondary vocational education fund.

Net Change in Fund Balance

	<u>General</u>	Post Secondary Vocational <u>Education</u>
GAAP Basis	(\$900,209)	\$6,008
Net Adjustment for Revenue Accruals	615,788	109,182
Net Adjustment for Expenditure Accruals	(613,248)	(79,913)
Encumbrances	<u>(435,951)</u>	<u>(18,842)</u>
Budget Basis	<u>(\$1,333,620)</u>	<u>\$16,435</u>

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**OHIO HI-POINT JOINT VOCATIONAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>(Passed through Ohio Department of Education)</i>						
Food Donation	N/A	10.550		\$6,414		\$6,414
Nutrition Cluster: School Breakfast Program	05-PU 05 05-PU 06	10.553	\$1,193 <u>10,066</u> 11,259		\$1,193 <u>10,066</u> 11,259	
National School Lunch Program	LL-P4 05 LL-P4 06	10.555	6,802 <u>37,282</u> 44,084		6,802 <u>37,282</u> 44,084	
Total U.S. Department of Agriculture - Nutrition Cluster			55,343		55,343	
U.S. DEPARTMENT OF EDUCATION						
<i>(Direct Program)</i>						
Student Financial Assistance Cluster:						
Federal Family Education Loans		84.032	283,931		289,751	
Federal Pell Grant Program		84.063	168,525		168,525	
Total Student Financial Assistance Cluster			<u>452,456</u>		<u>458,276</u>	
<i>(Direct Program)</i>						
Rural Education		84.358A	2,160		2,160	
Rural Education		84.358A	43,815		48,632	
			<u>45,975</u>		<u>50,792</u>	
<i>(Passed through Ohio Department of Education)</i>						
Adult Education State Grant Program	AB-S1-05 AB-S1-06	84.002	10,262 <u>238,621</u> 248,883		2,432 <u>248,697</u> 251,129	
Total Adult Education State Grant Program						
Vocational Education Basic Grants to States	20-A0-05 20-C1-05 20-C1-06 20-C2-05 20-C2-06	84.048	10,000 30,406 309,321 36,041 <u>66,279</u> 452,047		7,034 13,274 336,130 6,070 <u>63,248</u> 425,756	
Total Vocational Education Basic Grants to States						
Safe and Drug Free Schools and Communities State Grants	DR-S1 05 DR-S1 06	84.186	(164) <u>2,383</u> 2,219		2,016 <u>2,016</u> 2,016	
Total Safe and Drug Free Schools and Communities State Grants						
State Grants for Innovative Programs	C2-S1 05 C2-S1 06	84.298	(434) <u>4,247</u> 3,813		4,385 <u>4,385</u> 4,385	
Total State Grants for Innovative Programs						
Improving Teacher Quality State Grants	TR-S1-05 TR-S1-06	84.367	(397) <u>4,767</u> 4,370		4,545 <u>4,545</u> 4,545	
Total Improving Teacher Quality State Grants						
Total U.S. Department of Education			<u>1,209,763</u>		<u>1,196,899</u>	
Total Federal Assistance			<u>\$1,265,106</u>	<u>\$6,414</u>	<u>\$1,252,242</u>	<u>\$6,414</u>

The accompanying notes to this schedule are an integral part of this schedule.

**OHIO HI-POINT JOINT VOCATIONAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2006**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Revenues are recognized when received rather than when earned, and expenditures are recorded when paid rather than when the obligation is incurred.

NOTE B – FOOD DONATION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At June 30, 2006, the District had no significant food commodities in inventory.

NOTE C – NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE D – VOCATIONAL EDUCATION BASIC GRANTS TO STATES

The Ohio Hi-Point Joint Vocational School District receives the Vocational Education Basic Grants to States from the Ohio Department of Education. A portion of the grant belongs to the Springfield-Clark Joint Vocational School District, who is reimbursed for the grant expenditures by the Ohio Hi-Point Joint Vocational School District. For the year ended June 30, 2006, the Ohio Hi-Point Joint Vocational School District reimbursed the Springfield-Clark Joint Vocational School District for \$12,327 of expenditures related to this grant, all of which were reported on Springfield-Clark Joint Vocational School District's Schedule of Federal Awards Expenditures.

NOTE E – NEGATIVE REVENUES

Negative revenues in the amount of \$164 reported in the Safe and Drug Free Schools and Communities State Grants Program, \$434 reported in the State Grants for Innovative Programs and \$397 reported in the Improving Teacher Quality State Grants Program were the result of refunds made to the Ohio Department of Education during the fiscal year due to the expiration of the period of availability.



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*

Ohio Hi-Point Joint Vocational School District
Logan County
2280 State Route 540 East
Bellefontaine, Ohio 43311-9594

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 Ohio Hi-Point Joint Vocational School District, Logan County (the District) as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 27, 2007. 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 opinion 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 March 27, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Ohio Hi-Point Joint Vocational School District
Logan 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 management, Board of Education, federal awarding agencies, and pass-through entities. 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

March 27, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ohio Hi-Point Joint Vocational School District
Logan County
2280 State Route 540 East
Bellefontaine, Ohio 43311-9594

To the Board of Education:

Compliance

We have audited the compliance of Ohio Hi-Point Joint Vocational School District, Logan County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the fiscal year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Ohio Hi-Point Joint Vocational School District, Logan County complied, in all material respects, with the requirements referred to above that apply to its major federal program for the fiscal year ended June 30, 2006.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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**Internal Control Over Compliance
(Continued)**

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

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 27, 2007

**OHIO HI-POINT JOINT VOCATIONAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

OHIO HI POINT JOINT VOCATIONAL SCHOOL DISTRICT
LOGAN 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 22, 2007