

Knox County Career Center

Knox County

Single Audit

July 1, 2003 through June 30, 2004

Fiscal Year Audited Under GAGAS: 2004

**BALESTRA, HARR & SCHERER CPAs, INC.**

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Piketon, Ohio 45661

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**Auditor of State  
Betty Montgomery**

Board of Education  
Knox County Career Center  
306 Martinsburg Rd.  
Mount Vernon, OH 43050

We have reviewed the Independent Auditor's Report of the Knox County Career Center, Knox County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Knox County Career Center is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

April 12, 2005

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Ohio Society of Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Members of the Board  
Knox County Career Center  
306 Martinsburg Road  
Mount Vernon, Ohio 43050

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Knox County Career Center (the Center), Knox County, as of and for the year ended June 30, 2004, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Center, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund and adult education fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2005, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board  
Knox County Career Center  
Mount Vernon, Ohio 43050

Independent Auditor's Report  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the basic financial statements, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, GASB Statement No. 41, *Budgetary Comparison Schedules- Perspective Differences*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Balestra, Harr & Scherer, CPAs, Inc.  
Balestra, Harr & Scherer, CPAs, Inc.

February 7, 2005



**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
(Unaudited)

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It is a privilege to present to you the financial picture of the Knox County Career Center. This discussion and analysis of the Center's financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

**Financial Highlights**

Key financial highlights for the 2004 fiscal year are as follows:

- Total assets of the Knox County Career Center exceeded liabilities at June 30, 2004 by \$13,566,540. This balance was comprised of a \$5,928,877 balance in capital assets net of related debt and net assets amounts restricted for specific purposes of \$162,124, and \$7,475,539 in unrestricted net assets.
- General revenues accounted for \$8,551,898 in revenues or 85.03 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1,505,498 or 14.97 percent of total revenues.
- Of the \$8,551,898 in general revenues, \$3,939,982 or 46.07 percent was derived from local tax revenue, \$4,457,485 or 52.12 percent from state revenue and \$154,431 or 1.81 percent was derived from interest and other local revenues.
- The Center had \$8,517,761 in expenses related to governmental activities. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,551,898 were adequate to provide for these programs. Governmental activities expenses consumed 99.60 percent of general revenues in fiscal year 2004.
- The Center's major governmental funds are the General Fund, Permanent Improvement Fund and the Adult Education Fund.
- The General Fund cash balance was \$7,378,149 at year-end; up from \$6,101,263 at June 30, 2003, an increase of \$1,276,886.

**Using this Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Center 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 Statement of Activities provide information about the activities of the whole Center, presenting both an aggregate view of the Center'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 Center's most significant funds with all other non-major funds presented in total in one column. In the case of the Center, the general fund is by far the most significant fund.

**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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**Reporting the Center as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. Accrual 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 Center's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Center as a whole, the financial position of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Center's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, the Center's performance, required educational programs, demographic and socioeconomic factors, the willingness of the community to support the Center and other factors. On the other hand, financial factors may include the Center's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

In the Statement of Net Assets and the Statement of Activities, the Center has one type of activity:

Governmental Activities – Most of the Center's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of non-instructional services, operation of food service and extracurricular activities.

**Reporting the Center's Most Significant Funds**

*Fund Financial Statements*

The analysis of the Center's major governmental funds begins on page 8. Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's major governmental funds are the General Fund, Adult Education Special Revenue Fund and the Permanent Improvement Capital Project Fund.

**Governmental Funds** Most of the Center's activities are reported in governmental funds that focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using the modified accrual accounting method that 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 Center'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.

**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

**The Center as a Whole**

You may recall that the Statement of Net Assets provides the perspective of the Center as a whole. Table 1 provides a comparison of the Center's Net Assets for fiscal year 2004 compared to 2003:

**Table 1**  
*Net Assets*

	Governmental Activities	
	2004	2003
<b>Assets</b>		
Current and Other Assets	\$11,267,027	\$11,528,260
Capital Assets, Net	6,233,723	5,361,321
<i>Total Assets</i>	<i>\$17,500,750</i>	<i>\$16,889,581</i>
<b>Liabilities</b>		
Current Liabilities	\$3,168,558	\$4,029,371
Long-term Liabilities		
Due within one Year	229,428	190,763
Due in More than one Year	536,224	642,542
<i>Total Liabilities</i>	<i>3,934,210</i>	<i>4,862,676</i>
<b>Net Assets</b>		
Invested in Capital Assets	5,928,877	4,973,563
Restricted for:		
Capital Outlay	20,910	985,273
Other Purposes	141,214	205,147
Unrestricted	7,475,539	5,862,922
<i>Total Net Assets</i>	<i>\$13,566,540</i>	<i>\$12,026,905</i>

Total assets of governmental activities increased \$611,169. Capital Assets were the largest increase due to the completion of the Adult Education Building.

Total liabilities of governmental activities decreased \$928,466. The Center had a decrease in Restricted for Capital Outlay due to the completion of the Adult Education Building.

By comparing assets and liabilities, one can see the overall position of the Center has improved as evidenced by the increase in net assets of \$1,539,635.

**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
(Unaudited)

**The Center as a Whole (Continued)**

Table 2 shows the changes in net assets for fiscal year 2004. Since this is the first year the Center has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2003 are not available. In future fiscal years, when prior year information is available, a comparative analysis of government-wide data will be presented.

<b>Table 2</b>	
Change in Net Assets	
Governmental Activities	
	Governmental Activities
<b>Revenues</b>	
<i>Program Revenues</i>	
Charges for Services	\$1,020,629
Operating Grants and Contributions	484,869
<i>Total Program Revenues</i>	<u>1,505,498</u>
<i>General Revenues</i>	
Property Taxes	3,939,982
Intergovernmental	4,457,485
Investment Earnings	53,201
Miscellaneous	101,230
<i>Total General Revenues</i>	<u>8,551,898</u>
<i>Total Revenues</i>	<u>10,057,396</u>
<i>Program Expenses</i>	
Instruction:	
Regular	168,002
Vocational	3,765,829
Adult/Continuing	790,622
Support Services:	
Pupil	537,026
Instructional Staff	718,827
Board of Education	10,965
Administration	832,930
Fiscal	328,508
Business	93,966
Operation and Maintenance of Plant	1,041,180
Central	11,034
Operation of Non-Instructional Services	3,926
Operation of Food Services	167,187
Extracurricular Activities	29,345
Interest and Fiscal Charges	18,414
<i>Total Program Expenses</i>	<u>8,517,761</u>
<i>Change in Net Assets</i>	<u>1,539,635</u>
Net Assets Beginning of Year	12,026,905
<i>Net Assets End of Year</i>	<u>\$13,566,540</u>

**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

**Governmental Activities**

Net assets of the Center's governmental activities increased by \$1,539,635 in fiscal year 2004. Program revenues of \$1,505,498 and general revenues of \$8,551,898 offset total governmental expenses of \$8,517,761. Program revenues supported 17.7 percent of the total governmental expenses.

The primary sources of revenue for the Center are derived from property taxes and state foundation payments. These two revenue sources represent 83.5 percent of the total revenue. Property taxes, alone, represent 39.2 percent of revenues. The remaining 16.5 percent of revenue is from program revenues, interest and miscellaneous local sources.

A state law, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property. Increases in valuation prompt corresponding annual reductions in the "effective millage," the tax rates applied to real property. The Center operates on voted millage of 6.4 mills. The reduced or effective millage in fiscal year 2004 was 2.815496 mills for Residential/Agricultural property and 4.337746 mills for other property. The following table illustrates the rate of growth in property values in the past ten years which has positively impacted the Center :

Ending	Valuation	Rate
2004	\$1,105,520,322	1.80%
2003	1,086,017,526	13.46%
2002	957,180,259	-1.73%
2001	974,052,771	4.90%
2000	928,549,400	18.23%
1999	785,381,772	4.30%
1998	752,983,491	2.54%
1997	734,344,811	15.78%
1996	634,258,767	4.51%
1995	606,879,662	1.98%

The average rate of growth over the last 10 years is 6.58 percent.

In recent years, support from the State in terms of foundation increases, the implementation of weighted funding for special education students and career-tech students, and ADM funding for career technical students has combined to increase the financial condition of the Center. State support for educational programs has averaged an increase of 16.03 percent over the last three years. This increase is largely due to the change in the method of funding provided for career-technical students from unit funding to average daily membership funding, the weighted funding for special education and career-tech students, and increased enrollment at the Center.

Program revenues covered 17.7 percent of program expenses overall. The remaining 82.3 percent is supported through tax revenues and other general revenues. In fiscal year 2004, however, revenues totaled 118 percent of expenses resulting in an increase in net assets \$1,539,635.

The Statement of Activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. The following table shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

**Governmental Activities (Continued)**

<b>Table 3</b>		
Governmental Activities		
	Total Cost of Services	Net Cost of Services
	2004	2004
<b>Program Expenses</b>		
<i>Governmental Activities</i>		
Instruction:		
Regular	\$168,002	\$67,917
Vocational	3,765,829	3,603,583
Adult/Continuing	790,622	50,443
Support Services:		
Pupil	537,026	467,602
Instructional Staff	718,827	553,104
Board of Education	10,965	10,965
Administration	832,930	813,144
Fiscal	328,508	328,508
Business	93,966	93,966
Operation and Maintenance of Plant	1,041,180	964,477
Central	11,034	6,034
Operation of Non-Instructional Services	3,926	3,926
Operation of Food Services	167,187	835
Extracurricular Activities	29,345	29,345
Interest and Fiscal Charges	18,414	18,414
<i>Total</i>	<b>\$8,517,761</b>	<b>\$7,012,263</b>

As one can see, the reliance upon local tax revenues for the governmental activities is crucial. 46.3 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 52.3 percent while investments and other miscellaneous type revenues support the remaining activity costs.

**The Center's Funds**

Information about the Center's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,347,749 and expenditures of \$9,464,502. The governmental funds reported a combined fund balance of \$7,975,714, an increase of \$670,365 from fiscal year 2003.

The net change in fund balance for the year was most significant in the general fund, an increase of \$1,625,299. This was due to increased revenues from property and other local taxes and intergovernmental sources.

The Permanent Improvement fund had a decrease in fund balance of \$964,363. This was due to the Center completing construction of a new Adult Education building.

The June 30, 2003 fund balances have been restated as described in Note 3 to the basic financial statements.

**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

***Budgeting Highlights***

The Center's appropriations are prepared according to Ohio law and are based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. In fiscal year 2004 all funds were appropriated at the fund level.

In fiscal year 2004, the Center adopted its appropriations prior to October 1, 2003 and amended those appropriations several times prior to fiscal year end. For the general fund, final amended estimated revenues were \$7,995,052. No increases were made during the fiscal year. In the Adult Education Fund final amended estimated revenues were \$1,081,000. The increase was mainly due to the transfer from the General Fund.

General fund original appropriations of \$8,421,835 were increased to \$8,445,309 in the final appropriation measure. This slight increase in the general fund appropriations was due mainly to increased consumer services expenditures. The Adult Education Special Revenue Fund original appropriations of \$1,002,530 were increased to \$1,177,047. This increase was mainly due to additional costs associated with adult education instruction.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2004, the Center had \$6,233,723 invested in land, buildings and improvements, furniture, fixtures and equipment and vehicles. The following table shows fiscal 2004 balances compared to 2003.

<b>Table 4</b>		
Capital Assets at June 30		
(Net of Accumulated Depreciation)		
	Governmental Activities	
	2004	2003
Land	\$40,564	\$40,564
Construction in Progress	0	1,793,132
Buildings and Improvements	5,417,967	2,796,526
Furniture, Fixtures and Equipment	682,118	620,045
Vehicles	93,074	111,054
<b>Total Capital Assets</b>	<b>\$6,233,723</b>	<b>\$5,361,321</b>

Capital Assets net of depreciation increased by \$872,402 overall. The increase was mainly due to the completion of the Adult Education Building.

The Center's capitalization threshold for capital assets was set at \$500. For additional information on capital assets, see Note 9 to the basic financial statements.

**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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**Debt**

At June 30, 2004 the Center had \$304,846 in general obligation debt outstanding with \$88,785 due in one year. Table 5 summarizes bonds outstanding for fiscal year 2004 compared to fiscal year 2003.

**Table 5**  
Outstanding Debt, Governmental Activities at Year End

<u>Purpose</u>	<u>2004</u>	<u>2003</u>
Energy Conservation Bonds	\$304,846	\$387,758

For additional information on long-term obligations, see Note 14 to the basic financial statements.

**Challenges and Opportunities**

The vision of the Knox County Career Center is, in conjunction with the community, to be the leading workforce provider by developing prepared workers who are civic-minded and who will engage in continuous learning. Through progressive curriculum and dynamic hands-on learning, Knox County Career Center challenges each student to develop lifelong skills that relate to the leadership and teamwork necessary in their future careers and community roles. Knox County Career Center establishes a relationship with staff, students, parents and community businesses that allows all learners to reach their full potential.

The mission of the Knox County Career Center is, in partnership with the community, to provide an educational environment in which all students can establish goals and develop progressive career pathways while learning to be contributing citizens of the changing world. The mission will be accomplished by creating a safe learning environment that emphasizes the lifelong skills and knowledge necessary to continue learning, communicate clearly, solve problems, use information and technology effectively, enjoy productive employment, appreciate aesthetics, and meet their obligations as citizens in a democratic and global society.

The adult education program shall assist individuals and companies in their efforts to develop leadership, build new skills, upgrade skills, keep abreast of technological developments and to develop competencies in areas of need and workforce development and personal interest.

In order to meet the goals mentioned above, it is imperative that the Center's management and staff continue to carefully and prudently plan in order to provide the resources and education required to meet student needs over the next several years.

The Center has achieved a large measure of financial stability and forecasts a continuation of that stability throughout the five years of the required forecast period. As indicated in the preceding financial information, the Center is dependent upon property taxes and state funding. State funding does not increase solely with inflation. Therefore, administrators and staff are cognizant of the vulnerability of this stability and the Board of Education and administrators continue to closely monitor both revenues and expenses. The Treasurer continues to prepare annually monthly cash flow estimates in order to ascertain that actual revenues meet or exceed estimated revenues and actual expenditures do not exceed estimates.



**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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**Contacting the Center's Financial Management Personnel**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Tracy L. Elliott, Treasurer, Knox County Career Center, 306 Martinsburg Road, Mount Vernon, Ohio 43050. You may also contact the Treasurer by phone at (740) 397-5820, extension 257, or by e-mail at [tracy\\_e@treca.org](mailto:tracy_e@treca.org).

**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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**Knox County Career Center**  
*Statement of Net Assets*  
*June 30, 2004*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,691,336
Property Taxes Receivable	3,500,530
Accounts Receivable	17,322
Intergovernmental Receivable	5,120
Inventory Held for Resale	2,575
Materials and Supplies Inventory	12,212
Prepaid Items	37,932
Nondepreciable Capital Assets	40,564
Depreciable Capital Assets, Net	6,193,159
<i>Total Assets</i>	\$17,500,750
<b>Liabilities</b>	
Accounts Payable	\$47,683
Accrued Wages Payable	557,505
Intergovernmental Payable	26,689
Accrued Interest Payable	6,014
Deferred Revenue	2,528,462
Claims Payable	2,205
Long-Term Liabilities:	
Due Within One Year	229,428
Due In More Than One Year	536,224
<i>Total Liabilities</i>	3,934,210
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	5,928,877
Restricted for Capital Outlay	20,910
Restricted for Other Purposes	141,214
Unrestricted	7,475,539
<i>Total Net Assets</i>	\$13,566,540

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$168,002	\$6,543	\$93,542	(\$67,917)
Vocational	3,765,829	133,008	29,238	(3,603,583)
Adult/Continuing	790,622	543,880	196,299	(50,443)
Support Services:				
Pupil	537,026	0	69,424	(467,602)
Instructional Staff	718,827	159,798	5,925	(553,104)
Board of Education	10,965	0	0	(10,965)
Administration	832,930	1,820	17,966	(813,144)
Fiscal	328,508	0	0	(328,508)
Business	93,966	0	0	(93,966)
Operation and Maintenance of Plant	1,041,180	59,929	16,774	(964,477)
Central	11,034	0	5,000	(6,034)
Operation of Non-Instructional Services	3,926	0	0	(3,926)
Operation of Food Services	167,187	115,651	50,701	(835)
Extracurricular Activities	29,345	0	0	(29,345)
Interest and Fiscal Charges	18,414	0	0	(18,414)
<i>Total Governmental Activities</i>	<u>\$8,517,761</u>	<u>\$1,020,629</u>	<u>\$484,869</u>	<u>(7,012,263)</u>
<b>General Revenues</b>				
Property Taxes Levied for General Purposes				3,939,982
Grants and Entitlements not Restricted to Specific Programs				4,457,485
Investment Earnings				53,201
Miscellaneous				101,230
<i>Total General Revenues</i>				<u>8,551,898</u>
Change in Net Assets				1,539,635
<i>Net Assets Beginning of Year</i> - Restated (See Note 3)				<u>12,026,905</u>
<i>Net Assets End of Year</i>				<u><u>\$13,566,540</u></u>

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2004*

	General	Permanent Improvement	Adult Education	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$7,378,149	\$20,910	\$92,633	\$178,829	\$7,670,521
Taxes Receivable	3,500,530	0	0	0	3,500,530
Accounts Receivable	2,981	0	10,985	3,356	17,322
Interfund Receivable	625	0	0	0	625
Intergovernmental Receivable	0	0	0	5,120	5,120
Prepaid Items	37,932	0	0	0	37,932
Materials and Supplies Inventory	12,212	0	0	0	12,212
Inventory Held for Resale	0	0	0	2,575	2,575
<i>Total Assets</i>	<u>\$10,932,429</u>	<u>\$20,910</u>	<u>\$103,618</u>	<u>\$189,880</u>	<u>\$11,246,837</u>
<b>Liabilities</b>					
Accounts Payable	\$37,716	\$0	\$7,128	\$2,839	\$47,683
Accrued Wages	506,453	0	35,100	15,952	557,505
Intergovernmental Payable	8,922	0	1,055	1,605	11,582
Deferred Revenue	2,653,728	0	0	0	2,653,728
Interfund Payable	0	0	0	625	625
<i>Total Liabilities</i>	<u>3,206,819</u>	<u>0</u>	<u>43,283</u>	<u>21,021</u>	<u>3,271,123</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	251,781	20,910	8,236	25,074	306,001
Reserved for Property Taxes	846,802	0	0	0	846,802
Unreserved:					
Undesignated, Reported in:					
General Fund	6,627,027	0	0	0	6,627,027
Special Revenue Funds	0	0	52,099	143,785	195,884
<i>Total Fund Balances</i>	<u>7,725,610</u>	<u>20,910</u>	<u>60,335</u>	<u>168,859</u>	<u>7,975,714</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$10,932,429</u>	<u>\$20,910</u>	<u>\$103,618</u>	<u>\$189,880</u>	<u>\$11,246,837</u>

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2004*

<b>Total Governmental Funds Balances</b>	\$7,975,714
 <i>Amounts reported for governmental activities in the    statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,233,723
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds: Property Taxes	125,266
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	18,610
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(15,107)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds: Compensated Absences Accrued Interest Payable Energy Conservation Bonds	(460,806) (6,014) (304,846)
Total	(771,666)
<i>Net Assets of Governmental Activities</i>	\$13,566,540

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2004*

	General	Permanent Improvement	Adult Education	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property and Other Local Taxes	\$3,991,393	\$0	\$0	\$0	\$3,991,393
Intergovernmental	4,187,516	0	195,609	559,281	4,942,406
Interest	52,971	0	0	230	53,201
Tuition and Fees	8,120	0	651,911	87,551	747,582
Rentals	59,929	0	1,820	0	61,749
Gifts and Donations	8,544	0	285	17,179	26,008
Customer Sales and Services	97,869	0	0	113,429	211,298
Miscellaneous	96,817	1,940	2,473	0	101,230
<i>Total Revenues</i>	<u>8,503,159</u>	<u>1,940</u>	<u>852,098</u>	<u>777,670</u>	<u>10,134,867</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	66,256	0	0	95,619	161,875
Vocational	3,515,015	0	0	164,861	3,679,876
Adult/Continuing	0	0	697,664	82,393	780,057
Support Services:					
Pupil	374,712	0	44,443	113,941	533,096
Instructional Staff	482,863	0	142,538	81,314	706,715
Board of Education	10,965	0	0	0	10,965
Administration	599,867	0	172,475	27,773	800,115
Fiscal	323,901	0	234	4	324,139
Business	92,039	0	0	0	92,039
Operation and Maintenance of Plant	1,022,006	0	0	18,074	1,040,080
Central	1,161	0	0	9,873	11,034
Operation of Non-Instructional Services	0	0	0	161,920	161,920
Operation of Food Services	0	0	0	7,213	7,213
Extracurricular Activities	29,345	0	0	0	29,345
Capital Outlay	44,810	979,185	0	0	1,023,995
Debt Service:					
Principal Retirement	82,912	0	0	0	82,912
Interest and Fiscal Charges	19,126	0	0	0	19,126
<i>Total Expenditures</i>	<u>6,664,978</u>	<u>979,185</u>	<u>1,057,354</u>	<u>762,985</u>	<u>9,464,502</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,838,181</u>	<u>(977,245)</u>	<u>(205,256)</u>	<u>14,685</u>	<u>670,365</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	12,882	200,000	0	212,882
Transfers Out	(212,882)	0	0	0	(212,882)
<i>Total Other Financing Sources (Uses)</i>	<u>(212,882)</u>	<u>12,882</u>	<u>200,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,625,299	(964,363)	(5,256)	14,685	670,365
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>6,100,311</u>	<u>985,273</u>	<u>65,591</u>	<u>154,174</u>	<u>7,305,349</u>
<i>Fund Balances End of Year</i>	<u>\$7,725,610</u>	<u>\$20,910</u>	<u>\$60,335</u>	<u>\$168,859</u>	<u>\$7,975,714</u>

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2004*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$670,365</b>
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*Amounts reported for governmental activities in the  
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Fixed Assets Additions	1,091,975	
Current Year Depreciation	<u>(213,779)</u>	
Total		878,196

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(5,794)

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

Delinquent Property Taxes	(51,411)	
Intergovernmental	<u>(26,060)</u>	
Total		(77,471)

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

82,912

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	(15,259)	
Pension Obligations	<u>(7,899)</u>	
Total		(23,158)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds an interest expenditure is reported when due.

711

The internal service fund used by management to charge the costs of health insurance is included in the statement of activities and not on the governmental fund expenditures.

13,874

<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$1,539,635</u></u>
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See accompanying notes to the basic financial statements



**Knox County Career Center**  
*Statement of Revenues, Expenditures and Changes  
 In Fund Balance - Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$7,995,052	\$7,995,052	\$8,215,575	\$220,523
Total Expenditures and Other Uses	<u>8,421,835</u>	<u>8,445,309</u>	<u>7,197,428</u>	<u>1,247,881</u>
<i>Net Change in Fund Balance</i>	(426,783)	(450,257)	1,018,147	1,468,404
<i>Fund Balance Beginning of Year</i>	5,966,367	5,966,367	5,966,367	0
Prior Year Encumbrances Appropriated	<u>134,896</u>	<u>134,896</u>	<u>134,896</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$5,674,480</u></u>	<u><u>\$5,651,006</u></u>	<u><u>\$7,119,410</u></u>	<u><u>\$1,468,404</u></u>

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Statement of Revenues, Expenditures and Changes  
 In Fund Balance - Budget (Non-GAAP Basis) and Actual  
 Adult Education Fund  
 For the Fiscal Year Ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$915,000	\$1,081,000	\$1,099,538	\$18,538
Total Expenditures and Other Uses	1,002,530	1,177,047	1,118,318	58,729
<i>Net Change in Fund Balance</i>	(87,530)	(96,047)	(18,780)	77,267
<i>Fund Balance Beginning of Year</i>	72,751	72,751	72,751	0
Prior Year Encumbrances Appropriated	23,296	23,296	23,296	0
<i>Fund Balance End of Year</i>	<u>\$8,517</u>	<u>\$0</u>	<u>\$77,267</u>	<u>\$77,267</u>

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Statement of Net Assets*  
*Proprietary Fund Type*  
*June 30, 2004*

	Governmental Activities
	Internal Service
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$20,815
<b>Liabilities</b>	
Claims Payable	2,205
<b>Net Assets</b>	
Unrestricted	\$18,610

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund Type*  
*For the Fiscal Year Ended June 30, 2004*

	Governmental Activities
	Internal Service
<b>Operating Revenues</b>	
Charges for Services	\$60,359
<b>Operating Expenses</b>	
Purchased Services	5,242
Claims	41,243
<i>Total Operating Expenses</i>	46,485
<i>Change in Net Assets</i>	13,874
<i>Net Assets Beginning of Year</i>	4,736
<i>Net Assets End of Year</i>	\$18,610

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Statement of Cash Flows*  
*Proprietary Fund Type*  
*For the Fiscal Year Ended June 30, 2004*

	Governmental Activities
	Internal Service
<i><b>Increase in Cash and Cash Equivalents</b></i>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Quasi-External	\$60,359
Cash Payments to Suppliers for Goods and Services	(5,242)
Cash Payments for Claims	(41,009)
<i>Net Increase in Cash and Cash Equivalents</i>	14,108
<i>Cash and Cash Equivalents Beginning of Year</i>	6,707
<i>Cash and Cash Equivalents End of Year</i>	\$20,815
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
<i>Operating Income</i>	\$13,874
Increase in Liabilities:	
Claims Payable	234
<i>Net Cash Provided by Operating Activities</i>	\$14,108

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2004*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$13,900	\$39,051
<b>Liabilities</b>		
Due to Students	\$0	\$35,009
Undistributed Monies	0	4,042
<i>Total Liabilities</i>	0	\$39,051
<b>Net Assets</b>		
Held in Trust for Scholarships	\$13,900	

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2004*

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	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	<u>\$144</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>144</u>
<i>Change in Net Assets</i>	0
<i>Net Assets Beginning of Year</i>	<u>13,900</u>
<i>Net Assets End of Year</i>	<u><u>\$13,900</u></u>

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 1 - Description of the Center and Reporting Entity**

The Knox County Career Center (the “Center”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The Center is a joint vocational center as defined by Section 3311.18 of the Ohio Revised Code. The Center includes six member Centers spread throughout Coshocton, Delaware, Holmes, Knox, Licking, Morrow and Richland counties.

The Center is a jointly governed organization operating under a seven member board: three members are appointed by the Knox County Educational Service Center Board, three by the City of Mount Vernon School Board, and one by the Richland County Educational Service Center Board. Each Board member is elected to their home district and then appointed to the Center’s board. The Center provides educational services as authorized by state statute and/or federal guidelines. The Center employs 66 certified employees and 26 non-certified employees who provide services to 546 students and other community members.

***Reporting Entity***

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the basic financial statements are not misleading. The primary government of the Center consists of all funds, departments, boards, and agencies that are not legally separate from the Center. For Knox County Career Center, this includes the agencies and departments that provide the following services: general operations, food service, preschool and student related activities of the Center.

Component units are legally separate organizations for which the Center is financially accountable. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Knox County Career Center.

The Center participates in a jointly governed organization and two public entity risk pools. These organizations are the Tri-Rivers Educational Computer Association, the Ohio School Boards Association Workers’ Compensation Group Rating Plan and the Ohio School Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the Center 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 Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or after November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. Following are the more significant of the Center’s accounting policies.

***A. Basis of Presentation***

The Center’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.

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the Center at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Center.

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

**B. Fund Accounting**

The Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Center are grouped into the categories governmental, proprietary and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Center’s major governmental 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 to the Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Permanent Improvement Fund** – This fund is used to account for revenues and expenditures related to the construction of the Adult Education Building.

**Adult Education Fund** – This fund is used to account for transactions made in connection with adult education classes.

The other governmental funds of the Center account for grants and other resources whose uses are restricted to a particular purpose.

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***B. Fund Accounting (Continued)***

***Proprietary Fund Type*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the Center has no enterprise funds.

***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Center on a cost reimbursement basis. The Center's only internal service fund is a self insurance fund that accounts for dental and vision claims of the Center's employees.

***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. The Center's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center's agency funds account for student activities.

***C. Measurement Focus***

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

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

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

The private purpose trust fund is accounted for on a flow of economic resources measurement focus.

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***D. Basis of Accounting***

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

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

Nonexchange transactions, in which the Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, tuition and student fees.

***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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***E. Budgetary Process***

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

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

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

***F. Cash and Investments***

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

During fiscal year 2004, investments were limited to federal national mortgage association bonds, federal home loan bank bonds and STAROhio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2004.

By Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$52,971, which includes \$2,660 assigned from other Center funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Center are presented on the financial statements as cash equivalents.

***G. Inventory***

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

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***H. Capital Assets***

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	100 years
Buildings and Improvements	100 years
Furniture, Fixtures and Equipment	5-25 years
Vehicles	10-15 years

***I. Interfund Balances***

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

***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the Center's past experience of making termination payments.

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

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***K. Accrued Liabilities and Long-Term Obligations***

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

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

***L. 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 Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include instructional activities and food service operations.

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

***M. Fund Balance Reserves***

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

***N. Interfund Transactions***

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

***O. Extraordinary and Special Items***

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

***P. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 3 – Changes in Accounting Principles and Restatement of Fund Balance**

***Changes in Accounting Principles*** For fiscal year 2004, the Center has implemented GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”, GASB Statement No. 37, “*Basic Financial Statements for State and Local Governments: Omnibus*”, GASB Statement No. 38, “*Certain Financial Statement Note Disclosures*”, GASB Statement No. 41, “*Budgetary Comparison Schedules – Perspective Differences*”, and GASB Interpretation No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*”

GASB Statement No. 34 creates new basic financial statements for reporting on the Center’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the Center not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of Statement No. 41 did not affect the presentation of the budgetary statements of the Center.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

***Restatement of Net Assets/Fund Balance*** It was determined that funds reported as enterprise funds should be reclassified and reported as special revenue funds. This reclassification involved adjustments to conform to modified basis of accounting. The new standards for reporting fund obligations for compensated absences in Interpretation No. 6 also caused changes in previously reported fund balances. These restatements had the following effects on fund balance of the major and nonmajor funds of the Center as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.



**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2004

**Note 3 – Changes in Accounting Principles and Restatement of Fund Balance (Continued)**

	General	Permanent Improvement	Adult Education	Nonmajor	Total
Fund Balances, June 30, 2003	\$6,083,814	\$985,273	\$0	\$61,294	\$7,130,381
Implementation of GASB Interpretation No. 6	16,497	0	0	0	16,497
Fund Reclassifications:					
Enterprise Fund Balances, June 30, 2003	0	0	86,419	94,053	180,472
Adjustments from full to modified accrual	0	0	(20,828)	(1,173)	(22,001)
Adjusted Fund Balances, June 30, 2003	\$6,100,311	\$985,273	\$65,591	\$154,174	7,305,349
GASB 34 Adjustments:					
Capital Assets					5,361,321
Internal Service Fund					4,736
Accrued Interest					(6,725)
Intergovernmental Payable					(7,208)
Long-Term (Deferred) Assets:					
Property Taxes					176,677
Intergovernmental					26,060
Long-Term Liabilities:					
Compensated Absences					(445,547)
Energy Conservation Payable					(387,758)
Governmental Activities Net Assets, June 30, 2003					\$12,026,905

	Enterprise
Balance, June 30, 2003	180,472
Fund Reclassification Restatement	(180,472)
Restated Balance, June 30, 2003	0

**Note 4 – Compliance**

Fund balances at June 30, 2004, included the following individual fund deficits:

<i>Special Revenue Fund:</i>	
Preschool Grant	\$11,843

The special revenue deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

While the Center is reporting its 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 Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund and Adult Education Major Special Revenue Fund are 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 (modified accrual) basis are as follows:

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2004

**Note 5 - Budgetary Basis of Accounting (Continued)**

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 fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Investments reported at cost (budget basis) rather than fair value (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Adult Education Major Special Revenue Fund.

Net Change in Fund Balance		
	General	Adult Education
GAAP Basis	\$1,625,299	(\$5,256)
Net Adjustment for Revenue Accruals	(429,265)	2,440
Advances In	110,935	45,000
Ending Fair Value Adjustment for Investments	30,745	0
Net Adjustment for Expenditure Accruals	20,545	(599)
Advances Out	(50,625)	(45,000)
Encumbrances	(289,487)	(15,365)
Budget Basis	\$1,018,147	(\$18,780)

**Note 6 - Deposits and Investments**

State statutes classify monies held by the Center into three categories.

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

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

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

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 6 - Deposits and Investments (Continued)**

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

Interim monies may be invested in the following securities:

1. United States treasury bills, bonds, notes, or any other obligation or security issued by the United States treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Center, 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand** At fiscal year end, the Center had \$575 in undeposited cash on hand which is included on the balance sheet of the Center as part of equity in pooled cash and cash equivalents.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2004

**Note 6 - Deposits and Investments (Continued)**

**Deposits** At year end, the carrying amount of the Center's deposits was \$2,842,025 and the bank balance was \$3,055,787. \$498,000 of the bank balance was covered by federal depository insurance. \$2,557,787 was uninsured and uncollateralized. All State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

**Investments** GASB Statement 3 requires investments to be categorized to give an indication of the level of risk assumed by the Center at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Center or its agent in the Center's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Center's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Unclassified	Category 2	Fair Value
Federal National Mortgage Association Bonds	\$0	\$498,971	\$498,971
Federal Home Loan Bank Bonds	0	2,470,284	2,470,284
STAROhio	1,932,432	0	1,932,432
Total	\$1,932,432	\$2,969,255	\$4,901,687

The classification of cash and cash equivalents and investments on the fund financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$7,744,287	\$0
Investments Which are Part of a Cash Management Pool		
Federal National Mortgage Association Bonds	(498,971)	498,971
Federal Home Loan Bank Bonds	(2,470,284)	2,470,284
STAROhio	(1,932,432)	1,932,432
Cash on hand	(575)	0
GASB Statement No. 3	\$2,842,025	\$4,901,687

**Note 7 - Property Taxes**

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

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2004

**Note 7 - Property Taxes (Continued)**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Center. Real property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Center prior to June 30.

The Center receives property taxes from Coshocton, Delaware, Holmes, Knox, Licking, Morrow, and Richland Counties. The County Auditors periodically advance to the Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance in the general fund was \$846,802 at June 30, 2004 and \$413,032 at June 30, 2003.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$918,305,020	84.56 %	\$944,168,220	85.40 %
Public Utility Personal	50,625,515	4.66	50,613,651	4.58
Tangible Personal Property	117,086,991	10.78	110,738,451	10.02
<b>Total</b>	<b>\$1,086,017,526</b>	<b>100.00 %</b>	<b>\$1,105,520,322</b>	<b>100.00 %</b>
 Tax rate per \$1,000 of assessed valuation	 \$6.40		 \$6.40	

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2004

**Note 8 - Receivables**

Receivables at June 30, 2004, consisted of taxes, accounts (customer services, student fees and insurance premiums), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<b>Governmental Activities</b>	<b>Amounts</b>
Federal Lunchroom Reimbursement	\$5,120

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance 6/30/03	Additions	Reductions	Balance 6/30/04
Governmental Activities:				
Capital assets not being depreciated				
Land	\$40,564	\$0	\$0	\$40,564
Construction in Progress	1,793,132	449,959	(2,243,091)	0
Total capital assets not being depreciated	1,833,696	449,959	(2,243,091)	40,564
Capital assets being depreciated				
Buildings and Improvements	4,247,358	2,690,684	0	6,938,042
Furniture, Fixtures and Equipment	1,736,362	194,423	(133,876)	1,796,909
Vehicles	165,147	0	(22,569)	142,578
Total capital assets being depreciated	6,148,867	2,885,107	(156,445)	8,877,529
Accumulated depreciation				
Buildings and Improvements	(1,450,832)	(69,243)	0	(1,520,075)
Furniture, Fixtures and Equipment	(1,116,317)	(130,125)	131,651	(1,114,791)
Vehicles	(54,093)	(14,411)	19,000	(49,504)
Total accumulated depreciation	(2,621,242)	(213,779)	150,651	(2,684,370)
Capital assets being depreciated, net	3,527,625	2,671,328	(5,794)	6,193,159
Governmental activities capital assets, net	\$5,361,321	\$3,121,287	(\$2,248,885)	\$6,233,723

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2004

**Note 9 - Capital Assets (Continued)**

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,420
Vocational	141,644
Adult/Continuing	10,880
Support Services:	
Pupil	4,624
Instructional Staff	9,250
Administration	10,212
Fiscal	3,855
Operation and Maintenance of Plant	30,318
Operation of Food Services	1,576
Total Depreciation Expense	\$213,779

**Note 10 - Risk Management**

**A. Property and Liability**

The Center maintains comprehensive insurance coverage with a private carrier for liability coverage. Real property, building contents and vehicles are through Ohio School Plan. See Note 17 for more information on the Plan.

**B. Workers' Compensation**

The Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants 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 participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

**C. Employee Medical Benefits**

The Center is self insured for dental and vision insurance. Changes in the fund's claims liability for the fiscal year 2002, 2003, and 2004 is as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claims Payments	Balance at End of Fiscal Year
2002	\$0	\$8,722	\$1,891	\$6,831
2003	6,831	42,444	47,304	1,971
2004	1,971	41,243	41,009	2,205

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 11 - Pension Plans**

***A. School Employees Retirement System***

The Center 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 State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$84,627, \$68,669, and \$47,047, respectively; 100 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

***B. State Teachers Retirement System***

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

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

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



**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 11 - Pension Plans (Continued)**

***B. State Teachers Retirement System (Continued)***

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003 and 2002 were \$511,337, \$479,713, and \$328,609, respectively; 100 percent contributed for fiscal years 2004, 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$11,566 made by the Center and \$11,728 made by the plan members.

**Note 12 - Postemployment Benefits**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care 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, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Center, this amount equaled \$39,334 for fiscal year 2004.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent. 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 2004, the minimum pay has been established as \$25,400. For the Center, the amount to fund health care benefits, including surcharge, during the 2004 fiscal year equaled \$54,277.

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

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2004

**Note 13 - Other Employee Benefits**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to certified and classified employees upon retirement is limited to fifty percent of accumulated sick days not to exceed 265 days. The total maximum payment is for 88.33 days.

**Note 14 - Long-term Obligations**

The changes in the Center's long-term obligations during fiscal year 2004 were as follows:

	Outstanding 6/30/03	Additions	Reductions	Outstanding 6/30/04	Amounts Due in One year
Energy Conservation Bonds 5.05% Issued June 15, 1995	\$135,000	\$0	\$65,000	\$70,000	\$70,000
Energy Conservation Bonds 4.87% Issued January 15, 1999	252,758	0	17,912	234,846	18,785
Compensated Absences	445,547	32,859	17,600	460,806	140,643
<b>Total General Long-Term Obligations</b>	<b>\$833,305</b>	<b>\$32,859</b>	<b>\$100,512</b>	<b>\$765,652</b>	<b>\$229,428</b>

Compensated absences will be paid from the general fund and the adult education special revenue fund. The Energy Conservation Bonds were used to update lighting and heating and air conditioning.

The Center's overall legal debt margin was \$99,496,829 with an unvoted debt margin of \$110,552,032 at June 30, 2004. Principal and interest requirements to retire the energy conservation bonds outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$88,784	\$14,972	\$103,756
2006	19,700	10,522	30,222
2007	20,659	9,562	30,221
2008	21,665	8,557	30,222
2009	22,720	7,502	30,222
2010-2014	131,318	19,792	151,110
<b>Total</b>	<b>\$304,846</b>	<b>\$70,907</b>	<b>\$375,753</b>

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

**Note 15 - Set-Asides**

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

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

	<u>Capital Improvements Reserve</u>	<u>Textbook Instructional Materials Reserve</u>
Set-aside Reserve Balance as of June 30, 2003	\$0	\$0
Current Year Set-aside Requirement	85,990	85,990
Qualifying Disbursements	<u>(85,990)</u>	<u>(85,990)</u>
Totals	<u>\$0</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2004	<u>\$0</u>	<u>\$0</u>

**Note 16 - Jointly Governed Organization**

Tri-Rivers Educational Computer Association (TRECA) is a jointly governed organization among 31 public Centers within the boundaries of Delaware, Marion, Morrow, Knox and Wyandot Counties. TRECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Centers. TRECA operates under the direction of a Board consisting of two representatives from each county, elected by a majority vote of all charter member Centers within each county. The continued existence of TRECA is not dependent on the Center's continued participation and no equity interest exists. TRECA has no outstanding debt. To obtain financial information write to: Tri-Rivers Educational Computer Association, Mike Carder, who serves as Director, 2222 Marion-Mount Gilead Road, Marion, Ohio 43302. The Center contributed \$23,892 to TRECA during fiscal year 2004.

**Note 17 - Public Entity Risk Pools**

**A. Insurance Purchasing Pool**

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

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 17 - Public Entity Risk Pools (Continued)**

**B. Shared Risk Pool**

*Ohio School Plan* – The Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of Center superintendents and treasurers, as well as the president of Harcum-Shuett Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Shuett Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**Note 18 - Contingencies**

**A. Grants**

The Center receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2004.

**B. Litigation**

There are currently no matters in litigation with the Center as defendant.

**Note 19 - Interfund Transactions**

**A. Interfund Balances**

	Interfund Receivable
Interfund Payable	General
<i>Nonmajor Governmental Funds:</i>	
Awards	\$625

Interfund receivables and payables are due to the timing of the revenue.

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 19 - Interfund Transactions (Continued)**

***B. Interfund Transfers***

Transfers made during the year ended June 30, 2004 were as follows:

<u>Transfers To</u>	<u>Transfers From General</u>
<i>Nonmajor Governmental Funds:</i>	
Adult Education	\$200,000
Permanent Improvement	<u>12,882</u>
Total	<u><u>\$212,882</u></u>

The transfer from the General Fund to the Adult Education Fund was to cover the difference in revenue and expenses of the adult education program that sometimes does not generate enough tuition revenue to cover expenses. The Board of Education agreed by resolution to fund any deficit that occurs. The transfer from the General Fund to the Permanent Improvement Fund was to cover additional costs incurred in the construction of the adult education building.

**Note 20 – State School Funding Decision**

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

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

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

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Knox County Career Center**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2004*

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	NA	10.550	\$0	\$7,046	\$0	\$7,046
National School Breakfast Program	05-PU	10.553	7,519	0	7,519	0
National School Lunch Program	LL-P4	10.555	29,391	0	29,391	0
Total United States Department of Agriculture - Nutrition Cluster			36,910	7,046	36,910	7,046
<b>United States Department of Education</b>						
<i>Direct from the Federal Government</i>						
<i>Student Financial Aid Cluster:</i>						
Pell Grant Program	N	84.063	222,773	0	222,773	0
Federal Direct Student Loan	N	84.268	0	297,309	0	297,309
Federal Supplemental Educational Opportunity Grant	N	84.007	17,411	0	17,411	0
Total Student Financial Aid Cluster			240,184	297,309	240,184	297,309
<i>Passed through the Pioneer Joint Vocational School</i>						
VOCED Basic Grant	NA	84.048	42,129	0	40,329	0
<i>Passed through the Ohio Department of Education</i>						
Adult Education State Grant Program	AB-S1	84.002	73,467	0	48,517	0
VOCED Basic Grant	20-C1	84.048	170,304	0	160,365	0
Safe & Drug Free Schools and Communities	DR-S1	84.186	1,222	0	1,222	0
Innovative Education Program Strategy	C2-S1	84.298	3,429	0	3,429	0
Improving Teacher Quality	TR-S1	84.367	3,556	0	3,556	0
Total United States Department of Education			534,291	297,309	497,602	297,309
<b>Total Federal Financial Assistance</b>			<b>\$571,201</b>	<b>\$304,355</b>	<b>\$534,512</b>	<b>\$304,355</b>

NA - Pass Through Entity Number is Not Available  
N - Direct from the Federal Government

See Accompanying Notes to the Schedule of Federal Awards Expenditures

**Knox County Career Center**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2004*

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NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTIONS

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the Center had no significant food commodities in inventory.

NOTE C - GUARANTEED STUDENT LOANS

Nonmonetary assistance is reported in the schedule at the dollar amount of guaranteed student loans disbursed.



# BALESTRA, HARR & SCHERER CPAs, INC.

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Ohio Society of Certified Public Accountants

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Members of the Board  
Knox County Career Center  
306 Martinsburg Road  
Mount Vernon, Ohio 43050

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Knox County Career Center (the Center), as of and for the year ended June 30, 2004, and have issued our report thereon dated February 7, 2005, in which we indicated the Center implemented Governmental Accounting Standards Board Statements number 34, 37, 38, 41, and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

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

### **Compliance and Other Matters**

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

Members of the Board  
Knox County Career Center  
Mount Vernon, Ohio 43050

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With *Government Auditing Standards*  
Page 2

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

Balestra, Harr & Scherer, CPAs, Inc.  
Balestra, Harr & Scherer, CPAs, Inc.

February 7, 2005

# BALESTRA, HARR & SCHERER CPAs, INC.

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## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Members of the Board  
Knox County Career Center  
306 Martinsburg Road  
Mount Vernon, Ohio 43050

### **Compliance**

We have audited the compliance of Knox County Career Center (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center'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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Center's compliance with those requirements.

In our opinion, Knox County Career Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Members of the Board  
Knox County Career Center  
Mount Vernon, Ohio 43050

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133  
Page 2

### **Internal Control Over Compliance**

The management of the Center 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 internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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.

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 detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Balestra, Harr & Scherer, CPAs, Inc.  
Balestra, Harr & Scherer, CPAs, Inc.

February 7, 2005

**Knox County Career Center**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*June 30, 2004*

**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	No
(d)(1)(iii)	Was there any reported 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	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster, CFDA #s: 84.063; 84.268; and 84.007
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**Knox County Career Center**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*June 30, 2004*

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

Finding Number	None
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



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**KNOX COUNTY CAREER CENTER**

**KNOX 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 5, 2005**