

**KNOX COUNTY CAREER CENTER
KNOX COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2015***

TRACY ELLIOTT, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Knox County Career Center, Knox County, prepared by Julian & Grube, Inc., for the audit period July 1, 2014 through June 30, 2015. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 21, 2016

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**KNOX COUNTY CAREER CENTER
KNOX COUNTY, OHIO**

TABLE OF CONTENTS

Table of Contents.....	1
Independent Auditor’s Report	3 - 4
Management’s Discussion and Analysis	5 - 15
Basic Financial Statements:	
Government - Wide Financial Statements:	
Statement of Net Position.....	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund.....	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Adult Education Fund.....	23
Statement of Net Position - Internal Service Fund	24
Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Fund.....	25
Statement of Cash Flows - Internal Service Fund	26
Statement of Fiduciary Net Position - Fiduciary Funds	27
Statement of Changes in Fiduciary Net Position - Private Purpose Trust Fund.....	28
Notes to the Basic Financial Statements.....	29 - 57
Required Supplementary Information:	
Schedule of the Center’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio	58
State Teachers Retirement System (STRS) of Ohio	59
Schedule of Center Contributions:	
School Employees Retirement System (SERS) of Ohio	60 - 61
State Teachers Retirement System (STRS) of Ohio	62 - 63
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	64
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	65 - 66
Independent Auditor’s Report on Compliance With Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required By <i>OMB Circular A-133</i>	67 - 68
Schedule of Findings <i>OMB Circular A-133 § .505</i>	69

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Knox County Career Center
Knox County
306 Martinsburg Road
Mount Vernon, Ohio 43050

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Knox County Career Center, Knox County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Knox County Career Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Knox County Career Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Knox County Career Center's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 Knox County Career Center, Knox County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Adult Education funds thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during the fiscal year ended June 30, 2015, the Knox County Career Center adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date. - an Amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

Our audit was conducted to opine on the Knox County Career Center's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards (the "Schedule") presents 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 also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2016, on our consideration of the Knox County Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Knox County Career Center's internal control over financial reporting and compliance.



Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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, 2015. 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 2015 fiscal year are as follows:

During fiscal year 2014, the Center was the recipient of an investment from Ariel Corporation earmarked to develop the Computer Numeric Controls (CNC) and Automotive Technologies programs. The CNC lab was remodeled and equipped with new up-to-date machines. The Auto Technology lab and the Collision repair lab also were beneficiaries of the proceeds as the remodel including classroom space for each of these labs. A diesel engine, also donated by Ariel Corporation, is housed in the Auto Technology Lab and is being used for student training. The Center was able to make many equipment purchases during fiscal year 2015 that will enhance the educational opportunities of students. Technology enhancements are at the forefront of additions to many programs. Desktop computers were purchased for a new assessment center. This allows for a dedicated computer lab for the assessment coordinator to monitor all types of testing. iMacs were purchased for both the Digital Media lab and the Computer Networking lab. Laptops and a laptop cart was purchased for the English department. A 3D printer was added to the Landscape Design program to give the students additional design opportunities

The Center issued \$3,355,000 in Certificates of Participation to add a nineteen thousand square foot building to the campus during fiscal year 2014. This new building was occupied in the early part of fiscal year 2015 and houses the Air Force Junior Reserved Officer Training Corp and the Sports Medicine Program. The building includes a multipurpose room that has a full size gym floor and the Sports Medicine lab has a workout facility that all staff members will have access to use. The addition of an ultrasound machine for Sport Medicine will greatly benefit the students' educational experience. Debt payments for the next twenty years are approximately \$250,000 annually.

The Center also added a tenth grade offering that was utilized during fiscal year 2015. Skilled Trades Aptitude Readiness Training (START) was added to the programs to give students an opportunity to explore concepts relating to the CNC Manufacturing, Construction, and Metal Fabrication programs. This program will prepare students to enter one of the existing programs during their junior year of high school. The Center added simulators to give the students experiences with operating equipment such as welders, front end loaders and bull dozers.

The Adult Education division of the Center had the opportunity to purchase a SimMan. SimMan is a 3G advanced patient simulator that can display neurological symptoms as well as physiological. It features innovative technology such as automatic drug recognition. The simulator will benefit all of the medical programs, including Licensed Practical Nursing, Medical Assisting, and Public Safety.

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 Position 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

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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.

Reporting the Center as a Whole

Statement of Net Position 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 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all non-fiduciary assets and deferred outflows and liabilities and deferred inflows* 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 position* and changes in net position. This change in net position 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. 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 Position 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 12. 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, the adult education special revenue fund, and the building capital projects 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 Position 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, 2015
Unaudited

The Center as a Whole

You may recall that the Statement of Net Position provides the perspective of the Center as a whole. Table 1 provides a comparison of the Center's net position for fiscal year 2015 compared to 2014:

Table 1
Net Position
Governmental Activities

	2015	2014	Change
Assets			
Current and Other Assets	\$13,441,091	\$16,329,618	(\$2,888,527)
Capital Assets, Net	25,221,781	24,169,584	1,052,197
<i>Total Assets</i>	<u>38,662,872</u>	<u>40,499,202</u>	<u>(1,836,330)</u>
Deferred Outflows of Resources	<u>1,099,659</u>	<u>913,174</u>	<u>186,485</u>
Liabilities			
Current Liabilities	918,895	2,042,324	(1,123,429)
Long-Term Liabilities:			
Due Within One Year	517,748	498,241	19,507
Due in More Than One Year:			
Net Pension Liability	15,448,811	18,357,986	(2,909,175)
Other Amounts	6,906,505	7,281,605	(375,100)
<i>Total Liabilities</i>	<u>23,791,959</u>	<u>28,180,156</u>	<u>(4,388,197)</u>
Deferred Inflows of Resources	<u>5,363,942</u>	<u>2,307,954</u>	<u>3,055,988</u>
Net Position			
Net Investment in Capital Assets	18,652,781	17,837,241	815,540
Restricted	914,067	1,471,210	(557,143)
Unrestricted (Deficit)	(8,960,218)	(8,384,185)	(576,033)
<i>Total Net Position</i>	<u>\$10,606,630</u>	<u>\$10,924,266</u>	<u>(\$317,636)</u>

Total assets of governmental activities decreased. The majority of this increase is due to a decrease in cash as the Center received a large donation in the prior fiscal year, as well as proceeds of debt. That cash was spent on improvements to facilities in fiscal year 2015. Total liabilities of governmental activities decreased significantly due to changes in net pension liability. Other long-term liabilities decreased as well, due to the payment of annual principal and interest on the Center's debt. By comparing assets and deferred outflows and liabilities and deferred inflows, one can see the overall position of the Center has declined as evidenced by the decrease in net position.

During 2015, the Center adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Center's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Center's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Career Center is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Center's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Center is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation, as well as a restatement of capital assets, also had the effect of restating net position at June 30, 2014, from \$28,907,597 to 10,924,266.

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 2 shows the changes in net position for fiscal year 2015 and 2014:

Table 2
Changes in Net Position
Governmental Activities

	2015	2014	Change
Revenues			
Program Revenues:			
Charges for Services	\$2,288,103	\$2,267,251	\$20,852
Operating Grants and Contributions	917,010	834,354	82,656
Capital Grants and Contributions	11,710	1,026,295	(1,014,585)
Total Program Revenues	<u>3,216,823</u>	<u>4,127,900</u>	<u>(911,077)</u>
General Revenues:			
Property Taxes	3,319,648	3,304,605	15,043
Intergovernmental	5,453,498	5,456,762	(3,264)
Investment Earnings	51,477	45,698	5,779
Payments in Lieu of Taxes	69,550	86,088	(16,538)
Miscellaneous	19,292	88,355	(69,063)
Total General Revenues	<u>8,913,465</u>	<u>8,981,508</u>	<u>(68,043)</u>
Total Revenues	<u>12,130,288</u>	<u>13,109,408</u>	<u>(979,120)</u>
Program Expenses			
Instruction:			
Regular	147,755	131,127	(16,628)
Special	398,138	420,821	22,683
Vocational	4,584,679	4,740,373	155,694
Adult/Continuing	1,481,816	1,584,444	102,628
Support Services:			
Pupil	814,405	689,698	(124,707)
Instructional Staff	1,006,624	1,114,219	107,595
Board of Education	21,007	24,306	3,299
Administration	1,201,083	1,264,528	63,445
Fiscal	457,236	467,684	10,448
Business	10,994	51,022	40,028
Operation and Maintenance of Plant	1,679,864	1,717,807	37,943
Pupil Transportation	4,314	0	(4,314)
Central	21,135	125,390	104,255
Operation of Non-Instructional Services	263,420	261,005	(2,415)
Extracurricular Activities	43,994	35,959	(8,035)
Interest and Fiscal Charges	311,460	296,921	(14,539)
Total Program Expenses	<u>12,447,924</u>	<u>12,925,304</u>	<u>477,380</u>
<i>Increase (Decrease) in Net Position</i>	(317,636)	184,104	<u>(\$501,740)</u>
<i>Net Position Beginning of Year</i>	<u>10,924,266</u>	N/A	
<i>Net Position End of Year</i>	<u>\$10,606,630</u>	<u>\$10,924,266</u>	

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$913,174 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$653,943. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$12,447,924
Pension expense under GASB 68	(653,943)
2015 contractually required contribution	<u>954,003</u>
Adjusted 2015 program expenses	12,747,984
Total 2014 program expenses under GASB 27	<u>12,925,304</u>
Decrease in program expenses not related to pension	<u><u>(\$177,320)</u></u>

Governmental Activities

Net position of the Center's governmental activities decreased by \$317,636 in fiscal year 2015. Program revenues of \$3,216,823 and general revenues of \$8,913,465 were not sufficient to offset total governmental expenses of \$12,447,924. However, this was due to a decrease in revenue related to capital grants and contributions as in the prior fiscal year, the Center received a donation to upgrade certain parts of the facilities.

The primary sources of revenue for the Center are derived from property taxes and State foundation payments. Neither of these sources of revenues changed significantly from the prior fiscal year.

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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 2015 was 2.183 mills for Residential/Agricultural property and 4.297 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:

Year Ending	Total Valuation	Growth Rate
2015	\$1,454,955,670	11.90%
2014	1,300,259,030	-0.77%
2013	1,310,402,930	0.78%
2012	1,300,229,030	-0.78%
2011	1,310,409,120	0.31%
2010	1,306,378,350	0.86%
2009	1,295,216,970	4.39%
2008	1,240,746,314	-0.37%
2007	1,245,383,245	0.44%
2006	1,239,905,663	9.94%

The average rate of growth over the last 10 years is 2.67 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 had combined to increase the financial condition of the Center. State support for educational programs has averaged an increase of 7 percent over the fiscal years 2007, 2008, and 2009. This increase was largely due to increased enrollment at the Center. However, as the State of Ohio faced difficult economic times, the Center was capped at a .75 percent increase for fiscal year 2010 and 2011. The State’s biennium budget that funded fiscal years 2012 and 2013 allowed for no increase in State funding. The current biennium budget that funds fiscal years 2014 and 2015 includes a funding formula for the career centers. The projections for the Center are for the new funding model to allow the Center to be on a guaranteed funding level based upon fiscal year 2013. Although, enrollment is increasing, enrollment for the Center is currently below the enrollment in fiscal year 2009. The Center is making every effort to increase enrollment in order to be removed from guaranteed funding and onto the actual formula. State legislation added a provision beginning in fiscal year 2017 to remove the career technical weights from the guaranteed amounts to allow for financial growth when enrollment increases. This will give career centers the opportunity to purchase much needed equipment to meet the ever increasing demands of current industry standards and the educational needs of the community.

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.

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 3
Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Program Expenses:				
Instruction:				
Regular	\$147,755	\$43,755	\$131,127	\$27,127
Special	398,138	398,138	420,821	420,821
Vocational	4,584,679	3,973,479	4,740,373	3,164,350
Adult/Continuing	1,481,816	(534,706)	1,584,444	(423,828)
Support Services:				
Pupil	814,405	657,700	689,698	689,698
Instructional Staff	1,006,624	902,275	1,114,219	865,125
Board of Education	21,007	21,007	24,306	24,306
Administration	1,201,083	1,201,083	1,264,528	1,264,528
Fiscal	457,236	457,236	467,684	467,684
Business	10,994	10,994	51,022	51,022
Operation and Maintenance of Plant	1,679,864	1,679,864	1,717,807	1,717,807
Pupil Transportation	4,314	4,314	0	0
Central	21,135	21,135	125,390	125,390
Operation of Non-Instructional Services	263,420	39,373	261,005	70,494
Extracurricular Activities	43,994	43,994	35,959	35,959
Interest and Fiscal Charges	311,460	311,460	296,921	296,921
Total	\$12,447,924	\$9,231,101	\$12,925,304	\$8,797,404

As one can see, the reliance upon local tax revenues for the governmental activities is crucial. 26.7 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 43.8 percent while program revenues, investments, and other miscellaneous type revenues support the remaining activity costs.

The Center's Funds

The Center's governmental funds (as presented on the balance sheet on page 18) reported total fund balances of \$9,430,433, a decrease of \$1,995,706 from fiscal year 2014.

General Fund

The general fund balance decreased by \$990,767 in fiscal year 2015, primarily due to transfers made from the general fund to support the operations of other funds, as well as a decrease in property tax revenue.

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 2015 all funds were appropriated at the fund level.

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

In fiscal year 2015, the Center adopted its appropriations prior to October 1, 2014 and amended those appropriations several times prior to fiscal year end. For the general fund, final amended estimated revenues and other financing sources were \$9,363,278, a decrease from original estimated revenues of \$9,526,278.

General fund original appropriations of \$10,995,772 were increased to \$11,034,646 in the final appropriation measure. Actual expenditures were well below the estimates, as a conservative approach to budgeting is used.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the Center had \$25,221,781 invested in land, buildings and improvements, furniture, fixtures and equipment and vehicles, net of accumulated depreciation. The following table shows fiscal 2015 balances compared to 2014.

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

	Governmental Activities	
	2015	2014
Land	\$321,280	\$321,280
Construction in Progress	0	2,990,152
Buildings and Improvements	22,674,251	19,110,389
Furniture, Fixtures and Equipment	2,050,792	1,546,596
Vehicles	175,458	201,167
Total Capital Assets	\$25,221,781	\$24,169,584

The increase in capital assets was largely due to the completion of the building projects.

The Center's capitalization threshold for capital assets was set at \$1,500. For additional information on capital assets, see Note 11 to the basic financial statements.

Debt

At June 30, 2015, the Center had the following in loans and certificates of participation outstanding with \$356,000 due in one year. Table 5 summarizes debt outstanding for fiscal year 2015 compared to fiscal year 2014.

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 5
 Outstanding Debt at Fiscal Year End
 Governmental Activities

	2015	2014
School Facilities Loan	\$3,329,000	\$3,554,000
School Facilities COPS	3,240,000	3,355,000
<i>Totals</i>	\$6,569,000	\$6,909,000

For additional information on long-term obligations, see Note 15 to the basic financial statements.

Challenges and Opportunities

The District Leadership Team was formed during the summer of 2015, in part to create a vision statement/mission statement and to create goals for the Center. The group used a variety of team building exercises and small and large group activities to unify the Center and set a vision for the Center to strive to accomplish. The vision of the Knox County Career Center is to prepare students for success. 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.

Mission statements for both the high school and the adult education were also in development from these meetings. The mission statement for the high school is that Knox County Career Center exists to develop life-long learners with the skills and values necessary to achieve success. 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 Knox County Career Center adult education mission is to provide cutting edge programs that prepare adults with career and life-long skills. The adult education program shall assist individuals and companies in their efforts to develop leadership, build new skills, upgrade skills, stay abreast of technological developments and to develop competencies in areas of need and workforce development and personal interest.

The District Leadership Team set goals that focus on three key areas: Employer partnerships, communication, and community perception.

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, staff and community needs over the next several years.

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Due to sound fiscal management, the Center has not asked the voters for additional tax millage since 1994. The Center has not received significant increases in State funding for the past few years. This is due to the State financial instability and the Center's decreased enrollment. Since the Center is currently in deficit spending, additional avenues for resources will be researched as well as continued scrutinizing of expenses.

The Center strives to create and maintain programs that meet the needs of the local community, the state of Ohio and the nation for both high school and adult learners. This is a never ending challenge for the Board of Education and the administration.

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 2257, or by e-mail at telliott@knoxcc.org.

Knox County Career Center

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,373,067
Accounts Receivable	15,272
Accrued Interest Receivable	909
Inventory Held for Resale	3,902
Materials and Supplies Inventory	51,624
Revenue in Lieu of Taxes Receivable	52,378
Property Taxes Receivable	3,943,939
Nondepreciable Capital Assets	321,280
Depreciable Capital Assets, Net	<u>24,900,501</u>
<i>Total Assets</i>	<u>38,662,872</u>
Deferred Outflows of Resources	
Pension	<u>1,099,659</u>
Liabilities	
Accounts Payable	58,347
Accrued Wages and Benefits Payable	696,160
Intergovernmental Payable	125,600
Accrued Interest Payable	11,541
Matured Compensated Absences Payable	25,989
Claims Payable	1,258
Long-Term Liabilities:	
Due Within One Year	517,748
Due In More Than One Year:	
Net Pension Liability (See Note 12)	15,448,811
Other Amounts	<u>6,906,505</u>
<i>Total Liabilities</i>	<u>23,791,959</u>
Deferred Inflows of Resources	
Property Taxes	2,551,342
Payments in Lieu of Taxes	17,000
Pension	<u>2,795,600</u>
<i>Total Deferred Inflows of Resources</i>	<u>5,363,942</u>
Net Position	
Net Investment in Capital Assets	18,652,781
Restricted for Capital Outlay	1,882
Restricted for Other Purposes	912,185
Unrestricted (Deficit)	<u>(8,960,218)</u>
<i>Total Net Position</i>	<u>\$10,606,630</u>

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$147,755	\$0	\$104,000	\$0	(\$43,755)
Special	398,138	0	0	0	(398,138)
Vocational	4,584,679	422,743	176,747	11,710	(3,973,479)
Adult/Continuing	1,481,816	1,738,060	278,462	0	534,706
Support Services:					
Pupil	814,405	0	156,705	0	(657,700)
Instructional Staff	1,006,624	25,301	79,048	0	(902,275)
Board of Education	21,007	0	0	0	(21,007)
Administration	1,201,083	0	0	0	(1,201,083)
Fiscal	457,236	0	0	0	(457,236)
Business	10,994	0	0	0	(10,994)
Operation and Maintenance of Plant	1,679,864	0	0	0	(1,679,864)
Pupil Transportation	4,314	0	0	0	(4,314)
Central	21,135	0	0	0	(21,135)
Operation of Non-Instructional Services	263,420	101,999	122,048	0	(39,373)
Extracurricular Activities	43,994	0	0	0	(43,994)
Interest and Fiscal Charges	311,460	0	0	0	(311,460)
<i>Total Governmental Activities</i>	<u>\$12,447,924</u>	<u>\$2,288,103</u>	<u>\$917,010</u>	<u>\$11,710</u>	<u>(9,231,101)</u>
General Revenues					
Property Taxes Levied for					
General Purposes				3,319,648	
Grants and Entitlements not Restricted to Specific Programs				5,453,498	
Investment Earnings				51,477	
Payments in Lieu of Taxes				69,550	
Miscellaneous				19,292	
<i>Total General Revenues</i>				<u>8,913,465</u>	
Change in Net Position				(317,636)	
<i>Net Position Beginning of Year - Restated</i> <i>(See Note 21)</i>				<u>10,924,266</u>	
<i>Net Position End of Year</i>				<u>\$10,606,630</u>	

See accompanying notes to the basic financial statements

Knox County Career Center

Balance Sheet

Governmental Funds

June 30, 2015

	General	Adult Education	Building	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$8,342,367	\$69,548	\$1,882	\$946,061	\$9,359,858
Accounts Receivable	11,288	3,984	0	0	15,272
Interfund Receivable	90,000	0	0	0	90,000
Accrued Interest Receivable	909	0	0	0	909
Inventory Held for Resale	0	0	0	3,902	3,902
Materials and Supplies Inventory	46,855	4,769	0	0	51,624
Revenue in Lieu of Taxes Receivable	52,378	0	0	0	52,378
Property Taxes Receivable	3,943,939	0	0	0	3,943,939
<i>Total Assets</i>	<u>\$12,487,736</u>	<u>\$78,301</u>	<u>\$1,882</u>	<u>\$949,963</u>	<u>\$13,517,882</u>
Liabilities					
Accounts Payable	\$39,519	\$7,481	\$0	\$11,347	\$58,347
Accrued Wages and Benefits Payable	642,436	40,557	0	13,167	696,160
Intergovernmental Payable	106,947	8,912	0	9,741	125,600
Interfund Payable	0	65,000	0	25,000	90,000
Matured Compensated Absences Payable	25,989	0	0	0	25,989
<i>Total Liabilities</i>	<u>814,891</u>	<u>121,950</u>	<u>0</u>	<u>59,255</u>	<u>996,096</u>
Deferred Inflows of Resources					
Property Taxes	2,551,342	0	0	0	2,551,342
Payments in Lieu of Taxes	17,000	0	0	0	17,000
Unavailable Revenue	523,011	0	0	0	523,011
<i>Total Deferred Inflows of Resources</i>	<u>3,091,353</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,091,353</u>
Fund Balances					
Nonspendable	46,855	4,769	0	0	51,624
Restricted	0	0	1,882	903,434	905,316
Committed	0	0	0	8,751	8,751
Assigned	1,557,509	0	0	0	1,557,509
Unassigned (Deficit)	6,977,128	(48,418)	0	(21,477)	6,907,233
<i>Total Fund Balances (Deficit)</i>	<u>8,581,492</u>	<u>(43,649)</u>	<u>1,882</u>	<u>890,708</u>	<u>9,430,433</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$12,487,736</u>	<u>\$78,301</u>	<u>\$1,882</u>	<u>\$949,963</u>	<u>\$13,517,882</u>

See accompanying notes to the basic financial statements

Knox County Career Center
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2015*

Total Governmental Funds Balances		\$9,430,433
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		25,221,781
Other long-term assets, such as property taxes, are not available to pay for current-period expenditures and therefore are deferred in the funds.		523,011
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 position.		11,951
In the statement of net position interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		(11,541)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds.		
Deferred Outflows - Pension	1,099,659	
Deferred Inflows - Pension	(2,795,600)	
Net Pension Liability	<u>(15,448,811)</u>	
Total		(17,144,752)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences	(855,253)	
School Facilities Loan	(3,329,000)	
School Facilities COPS	<u>(3,240,000)</u>	
Total		<u>(7,424,253)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$10,606,630</u></u>

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, 2015

	General	Adult Education	Building	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$3,144,520	\$0	\$0	\$194,091	\$3,338,611
Intergovernmental	5,453,498	253,462	0	660,170	6,367,130
Interest	46,410	0	5,056	11	51,477
Tuition and Fees	336,052	1,730,505	0	25,301	2,091,858
Rentals	0	7,555	0	0	7,555
Gifts and Donations	1,000	0	0	14,088	15,088
Customer Sales and Services	86,691	0	0	101,999	188,690
Payments on Lieu of Taxes	69,550	0	0	0	69,550
Miscellaneous	18,067	186	0	1,039	19,292
<i>Total Revenues</i>	<u>9,155,788</u>	<u>1,991,708</u>	<u>5,056</u>	<u>996,699</u>	<u>12,149,251</u>
Expenditures					
Current:					
Instruction:					
Regular	75,482	0	0	65,711	141,193
Special	400,163	0	0	15,048	415,211
Vocational	4,674,547	0	0	485,160	5,159,707
Adult/Continuing	0	1,330,568	0	112,604	1,443,172
Support Services:					
Pupil	628,834	26,427	0	145,805	801,066
Instructional Staff	726,627	182,342	0	107,098	1,016,067
Board of Education	20,671	0	0	0	20,671
Administration	890,584	327,874	0	36,008	1,254,466
Fiscal	452,204	0	0	0	452,204
Business	10,994	0	0	0	10,994
Operation and Maintenance of Plant	1,259,690	47,360	45,968	252,590	1,605,608
Pupil Transportation	4,314	0	0	0	4,314
Central	21,135	0	0	0	21,135
Operation of Non-Instructional Services	0	0	0	256,762	256,762
Extracurricular Activities	43,994	0	0	0	43,994
Capital Outlay	63,665	0	673,116	109,961	846,742
Debt Service:					
Principal Retirement	340,000	0	0	0	340,000
Interest and Fiscal Charges	311,651	0	0	0	311,651
<i>Total Expenditures</i>	<u>9,924,555</u>	<u>1,914,571</u>	<u>719,084</u>	<u>1,586,747</u>	<u>14,144,957</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(768,767)</u>	<u>77,137</u>	<u>(714,028)</u>	<u>(590,048)</u>	<u>(1,995,706)</u>
Other Financing Sources (Uses)					
Transfers In	0	50,000	132,000	40,000	222,000
Transfers Out	(222,000)	0	0	0	(222,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(222,000)</u>	<u>50,000</u>	<u>132,000</u>	<u>40,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(990,767)</u>	<u>127,137</u>	<u>(582,028)</u>	<u>(550,048)</u>	<u>(1,995,706)</u>
<i>Fund Balances (Deficit)</i>					
Beginning of Year	<u>9,572,259</u>	<u>(170,786)</u>	<u>583,910</u>	<u>1,440,756</u>	<u>11,426,139</u>
Fund Balances (Deficit) End of Year	<u>\$8,581,492</u>	<u>(\$43,649)</u>	<u>\$1,882</u>	<u>\$890,708</u>	<u>\$9,430,433</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, 2015*

Net Change in Fund Balances - Total Governmental Funds (\$1,995,706)

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

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

Capital Outlay	1,719,157	
Current Year Depreciation	(666,960)	
Total	1,052,197	1,052,197

Revenues in the statement of activities that do not provide current financial resources, such as delinquent property taxes, are not reported as revenues in the funds. (18,963)

Repayments of the school facilities loan and the certificates of participation are an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. 340,000

Some expenses, such as compensated absences, 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. 15,593

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds an interest expenditure is reported when due. 191

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows. 954,003

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (653,943)

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental fund and related internal service fund revenue is eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (11,008)

Change in Net Position of Governmental Activities (\$317,636)

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$9,526,278	\$9,363,278	\$9,557,287	\$194,009
Total Expenditures and Other Uses	<u>10,995,772</u>	<u>11,034,646</u>	<u>10,636,324</u>	<u>398,322</u>
<i>Net Change in Fund Balance</i>	(1,469,494)	(1,671,368)	(1,079,037)	592,331
<i>Fund Balance Beginning of Year</i>	9,040,170	9,040,170	9,040,170	0
Prior Year Encumbrances Appropriated	<u>123,827</u>	<u>123,827</u>	<u>123,827</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$7,694,503</u></u>	<u><u>\$7,492,629</u></u>	<u><u>\$8,084,960</u></u>	<u><u>\$592,331</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total Revenues and Other Sources	\$2,088,258	\$2,188,258	\$2,162,517	(\$25,741)
Total Expenditures and Other Uses	1,928,275	2,244,527	2,203,525	41,002
<i>Net Change in Fund Balance</i>	159,983	(56,269)	(41,008)	15,261
<i>Fund Balance Beginning of Year</i>	56,263	56,263	56,263	0
Prior Year Encumbrances Appropriated	9,667	9,667	9,667	0
<i>Fund Balance End of Year</i>	\$225,913	\$9,661	\$24,922	\$15,261

See accompanying notes to the basic financial statements

Knox County Career Center

Statement of Net Position

Internal Service Fund

June 30, 2015

	<u>Self Insurance</u>
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$13,209
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	<u>1,258</u>
Net Position	
Unrestricted	<u><u>\$11,951</u></u>

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2015

	Self Insurance
Operating Revenues	
Charges for Services	\$17,880
Operating Expenses	
Purchased Services	5,618
Claims	23,270
<i>Total Operating Expenses</i>	28,888
<i>Change in Net Position</i>	(11,008)
<i>Net Position Beginning of Year</i>	22,959
<i>Net Position End of Year</i>	\$11,951

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2015

	Self Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$17,880
Cash Payments to Suppliers for Goods and Services	(5,618)
Cash Payments for Claims	(30,878)
<i>Net Decrease in Cash and Cash Equivalents</i>	(18,616)
<i>Cash and Cash Equivalents Beginning of Year</i>	31,825
<i>Cash and Cash Equivalents End of Year</i>	\$13,209
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
<i>Operating Loss</i>	(\$11,008)
Adjustments:	
Decrease in Claims Payable	(7,608)
<i>Net Cash Used in Operating Activities</i>	(\$18,616)

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$18,074	\$63,021
Liabilities		
Due to Students	0	\$63,021
Net Position		
Held in Trust for Scholarships	\$18,074	

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
	Scholarship
Additions	
Gifts and Donations	\$2,869
Interest	17
	2,886
<i>Total Additions</i>	2,886
Deductions	
	0
<i>Change in Net Position</i>	2,886
<i>Net Position Beginning of Year</i>	15,188
<i>Net Position End of Year</i>	\$18,074

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, 2015

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 school districts 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 64 certified full-time employees and 32 non-certified full-time employees who provide services to 600 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 ensure 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. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization’s resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. 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 and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The Center has no component units.

The Center participates in a jointly governed organization and two public entity risk pools. These organizations are the Metropolitan Educational Technology Association, the Ohio School Boards Association Workers’ Compensation Group Rating Program and the Ohio School Plan. These organizations are presented in Notes 17 and 18 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. Following are the more significant of the Center’s accounting policies.

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Basis of Presentation

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

Government-wide Financial Statements The statement of net position 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. These statements usually distinguish between those activities of the Center that are governmental and those that are considered business-type. The Center, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental and business-type 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.

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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the Center's major governmental funds:

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

General Fund – The general fund is used to account for and report 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.

Adult Education Fund – This fund is used to account for and report revenues and expenditures restricted for adult education classes. Revenues consisted primarily of tuition and fees as well as grants received.

Building Fund – This fund is used to account for and report revenues restricted for the construction or renovation of the Center’s buildings. Revenues consist primarily of a certificate of participation issued by the Center to assist with building improvements.

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

Proprietary Fund Type Proprietary funds reporting focuses on the determination of operating income, changes in net position, 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 Funds Fiduciary fund reporting focuses on net position and changes in net position. 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.

Measurement Focus

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

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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.

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 is included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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.

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 outflows/inflows of resources 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, interest, tuition and student fees.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Center, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Center, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016. These amounts have been recorded as a deferred inflow on both the

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Center, unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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.

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.

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 2015, investments were limited to federal farm credit bank bonds, federal home loan bank bonds, nonnegotiable certificates of deposit, and STAROhio.

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

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share, which is the price the investment could be sold for on June 30, 2015.

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 2015 amounted to \$46,410, which includes \$5,569 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.

Inventory

On the government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. 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 held for resale.

Capital Assets

All capital assets of the Center are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and 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 fifteen 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	50-100 years
Furniture, Fixtures and Equipment	5-25 years
Vehicles	10-15 years

Interfund Balances

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

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have been resigned or retired will be paid. The non-current portion of the liability is not reported.

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, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for classroom facilities maintenance, public school preschool, and other local, state, and federal grants.

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

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the Center Board of Education. Those committed amounts cannot be used for any other purpose unless the Center Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. These amounts are assigned by the Center Board of Education. In the general fund, assigned amounts represent intended uses established by the Center Board of Education, a Center official delegated that authority by resolution only, or by State Statute. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in the fiscal year 2016 appropriated budget and for other purposes.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Center applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Internal Activities

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

financing sources/uses in governmental. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of 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.

Note 3 – Compliance

Fund balances at June 30, 2015, included the following individual fund deficits:

<i>Special Revenue Funds:</i>	
Adult Education Fund	\$43,649
Food Service Fund	21,477

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 transfers when cash is required, not when accruals occur.

Note 4 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Fund Balances	General	Adult Education	Building	Other Governmental	Total
<i>Nonspendable</i>					
Inventory	\$46,855	\$4,769	\$0	\$0	\$51,624
<i>Restricted for</i>					
Facilities Maintenance	0	0	0	903,434	903,434
Capital Improvements	0	0	1,882	0	1,882
Other Purposes	0	0	0	0	0
<i>Total Restricted</i>	0	0	1,882	903,434	905,316
<i>Committed to</i>					
Other Purposes	0	0	0	8,751	8,751
<i>Assigned to</i>					
2016 Appropriations	1,336,738	0	0	0	1,336,738
Purchases on Order	155,284	0	0	0	155,284
Other Purposes	65,487	0	0	0	65,487
<i>Total Assigned</i>	1,557,509	0	0	0	1,557,509
<i>Unassigned (Deficit)</i>	6,977,128	(48,418)	0	(21,477)	6,907,233
<i>Total Fund Balances</i>	\$8,581,492	(\$43,649)	\$1,882	\$890,708	\$9,430,433

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 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund and major special revenue funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).
5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the adult education major special revenue fund.

	Net Change in Fund Balance	
	General	Adult Education
GAAP Basis	(\$990,767)	\$127,137
Net Adjustment for Revenue Accruals	199,643	55,809
Advances In	203,000	65,000
Beginning Fair Value Adjustment for Investments	(2,936)	0
Ending Fair Value Adjustment for Investments	1,792	0
Net Adjustment for Expenditure Accruals	(206,111)	(59,328)
Advances Out	(90,000)	(185,000)
Encumbrances	(193,658)	(44,626)
Budget Basis	(\$1,079,037)	(\$41,008)

Note 6 – Deposits and Investments

Monies held by the Center are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Center treasury. Active 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 that the Board 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 moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances of training requirement have been met.
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

At year end, the Center has \$1,000 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$3,380,306 of the Center's bank balance of \$8,576,433 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

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

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Investments

As of June 30, 2015, the Center had the following investments. All investments are in an internal investment pool.

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	3-5
Federal Farm Credit Bank Bonds	\$424,193	\$0	\$424,193
Federal Home Loan Bank Bonds	499,015	0	499,015
STAR Ohio	66,774	66,774	0
Total Investments	\$989,982	\$66,774	\$923,208

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

Credit Risk The Federal Farm Credit Bank Bonds and Federal Home Loan Bank Bonds carry a rating of AA+ by Standard and Poor's. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Center has no investment policy that would further limit its investment choices.

Concentration of Credit Risk The Center places no limit on the amount it may invest in any one issuer. The following is the Center's allocation as of June 30, 2015:

Investment	Percentage of Investments
Federal Farm Credit Bank Bonds	42.85 %
Federal Home Loan Bank Bonds	50.41
STAROhio	6.74

Note 7 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the Center's 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.

Property taxes include amounts levied against all real and public utility property located in the Center. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 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 2015 represents collections of calendar year 2014

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in calendar year 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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 counties by June 30, 2015, are available to finance fiscal year 2016 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, 2015 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 inflows of resources – property taxes.

The amount available as an advance at June 30, 2015, was \$869,586 in the general fund. The amount available as an advance at June 30, 2014, was \$839,164 in the general fund.

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 reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,246,988,210	95.90 %	\$1,378,526,760	94.75 %
Public Utility Personal	53,270,820	4.10	76,428,910	5.25
Total	\$1,300,259,030	100.00 %	\$1,454,955,670	100.00 %
 Tax rate per \$1,000 of assessed valuation	\$6.40		\$6.40	

Note 8 – Receivables

Receivables at June 30, 2015, consisted of taxes, accounts (customer services, student fees and insurance premiums), payments in lieu of taxes, accrued interest 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 except delinquent property taxes are expected to be collected within one year. There were no intergovernmental receivables at fiscal year-end.

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

According to State law, the City of Mount Vernon has established several tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvements have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners. The Center agrees to accept a portion of the service payments as compensation for the likely loss of future property tax increases.

Note 9 – Risk Management

Property and Liability

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Center maintains comprehensive insurance coverage with a private carrier for liability coverage. Real property, building contents and vehicles are through Ohio School Plan. The Center joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual participant enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Center pays its annual premium to the OSP (see Note 18). The Center has general liability coverage with \$5,000,000 per occurrence and \$7,000,000 general aggregate.

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

The Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 18). 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. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

Employee Medical Benefits

The Center offers vision and dental insurance to all eligible employees through a self-insurance fund. The Center has a third party administrator, Medical Claims Services, review and administer the claims activity. The claims liability of \$1,258 reported in the internal service fund at June 30, 2015, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	Balance Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
2014	\$1,860	\$89,185	\$82,179	\$8,866
2015	8,866	23,270	30,878	1,258

Note 10 – Interfund Transactions

Interfund Transfers

There was a transfer made during the year ended June 30, 2015 from the General fund to the OSFC maintenance fund (a nonmajor governmental fund) in the amount of \$194,091. The transfer is to meet the requirements for the Ohio School Facilities Commission to fund future maintenance costs for the addition and renovation of the Center. This transfer has been reclassified as property tax revenue in the OSFC maintenance fund (a nonmajor governmental fund) in accordance with GASB Statement No. 54. Transfers were also made from the general fund to the adult education fund, the food service fund, and the building fund to support the operations of those funds.

All transfers made during fiscal year 2015 were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

Interfund Balances

Interfund Payable	Interfund Receivable General
<i>Major Governmental Fund:</i>	
Adult Education	\$65,000
<i>Other Governmental Fund:</i>	
Food Service	25,000
Total	\$90,000

The interfund payables from the adult education fund and the food service fund are for student tuition and fees that were not received by fiscal year end.

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Restated Balance 6/30/14	Additions	Reductions	Balance 6/30/15
Governmental Activities				
<i>Non-Depreciable Assets:</i>				
Land	\$321,280	\$0	\$0	\$321,280
Construction in Progress	2,990,152	904,496	(3,894,648)	0
<i>Total Non-Depreciable Assets</i>	<u>3,311,432</u>	<u>904,496</u>	<u>(3,894,648)</u>	<u>321,280</u>
<i>Depreciable Assets:</i>				
Buildings and improvements	22,669,359	3,897,352	0	26,566,711
Furniture, fixtures and equipment	3,537,851	811,957	(1,999)	4,347,809
Vehicles	343,775	0	0	343,775
<i>Total Depreciable Assets</i>	<u>26,550,985</u>	<u>4,709,309</u>	<u>(1,999)</u>	<u>31,258,295</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and improvements	(3,558,970)	(333,490)	0	(3,892,460)
Furniture, fixtures and equipment	(1,991,255)	(307,761)	1,999	(2,297,017)
Vehicles	(142,608)	(25,709)	0	(168,317)
<i>Total Accumulated Depreciation</i>	<u>(5,692,833)</u>	<u>(666,960)*</u>	<u>1,999</u>	<u>(6,357,794)</u>
<i>Depreciable Capital Assets, Net</i>	<u>20,858,152</u>	<u>4,042,349</u>	<u>0</u>	<u>24,900,501</u>
Governmental Activities Capital Assets, Net	<u>\$24,169,584</u>	<u>\$4,946,845</u>	<u>(\$3,894,648)</u>	<u>\$25,221,781</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	9,176
Special	233
Vocational	426,141
Adult/Continuing	38,430
Support Services:	
Pupil	15,508
Instructional Staff	37,303
Board of Education	336
Administration	31,990
Fiscal	16,131
Operation and Maintenance of Plant	72,246
Total Depreciation Expense	<u>\$666,960</u>

Note 12 - Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Center’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Center’s obligation for this liability to annually required payments. The Center cannot control benefit terms or the manner in which pensions are financed; however, the Center does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Center non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Center’s contractually required contribution to SERS was \$232,888 for fiscal year 2015. Of this amount \$4,359 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Center licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Center's contractually required contribution to STRS was \$721,115 for fiscal year 2015. Of this amount \$76,986 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$2,752,696	\$12,696,115	\$15,448,811
Proportion of the Net Pension Liability	0.054391%	0.05219699%	
Pension Expense	\$158,169	\$495,774	\$653,943

At June 30, 2015, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$23,428	\$122,228	\$145,656
Center contributions subsequent to the measurement date	232,888	721,115	954,003
Total Deferred Outflows of Resources	<u>\$256,316</u>	<u>\$843,343</u>	<u>\$1,099,659</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$446,771</u>	<u>\$2,348,829</u>	<u>\$2,795,600</u>

\$954,003 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$105,776)	(\$556,650)	(\$662,426)
2017	(105,776)	(556,650)	(662,426)
2018	(105,776)	(556,650)	(662,426)
2019	(106,015)	(556,651)	(662,666)
Total	<u>(\$423,343)</u>	<u>(\$2,226,601)</u>	<u>(\$2,649,944)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u>100.00 %</u>	

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	\$3,927,281	\$2,752,696	\$1,764,771

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Center's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	\$18,175,872	\$12,696,115	\$8,062,083

Note 13 - Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The Center contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the Center's surcharge obligation was \$26,518.

The Center's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$41,007, \$23,433, and \$27,772, respectively. For fiscal year 2015, 98.24 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

Plan Description – The Center participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Center's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$53,636, and \$54,179 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 14 – Other Employee Benefits

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn twelve to twenty seven 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 one-third of accumulated sick days not to exceed 276 days. The total maximum payment is for 92 days.

Note 15 – Long-term Obligations

The changes in the Center’s long-term obligations during fiscal year 2015 were as follows:

		Restated Outstanding 6/30/2014	Additions	Reductions	Outstanding 6/30/2015	Amounts Due in One Year
Governmental Activities						
School Facilities Loan	4.84%					
Issued August 17, 2006		\$3,554,000	\$0	(\$225,000)	\$3,329,000	\$236,000
School Facilities COPS	2-5%					
Issued September 10, 2013		3,355,000	0	(115,000)	3,240,000	120,000
Compensated Absences		870,846	855,253	(870,846)	855,253	161,748
Net Pension Liability						
SERS		3,234,458	0	(481,762)	2,752,696	0
STRS		15,123,528	0	(2,427,413)	12,696,115	0
Total Net Pension Liability		18,357,986	0	(2,909,175)	15,448,811	0
<i>Total Governmental Activities</i>						
<i>Long-Term Liabilities</i>						
		\$26,137,832	\$855,253	(\$4,120,021)	\$22,873,064	\$517,748

The Center pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to pension see Note 12. Compensated absences will be paid from the funds benefitting from the activity. The School Facilities loan will be used for the local portion of the Ohio School Facilities Commission Project. The loan will be paid from property tax revenue and matures June 30, 2026. The School Facilities certificates of participation will be used for building improvements. The certificates of participation will be paid from property tax revenue and mature on December 1, 2034. The loan and certificate of participation will be paid from the general fund.

The Center's overall legal debt margin was \$130,955,670 with an unvoted debt margin of \$1,454,956 at June 30, 2015. Principal and interest requirements to retire the debt outstanding at June 30, 2015, are as follows:

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	School Facilities Loan		School Facilities COPS		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$236,000	\$161,124	\$120,000	\$137,287	\$356,000	\$298,411
2017	247,000	149,701	120,000	134,887	367,000	284,588
2018	260,000	137,746	125,000	132,437	385,000	270,183
2019	272,000	125,162	125,000	129,781	397,000	254,943
2020	285,000	111,998	130,000	126,750	415,000	238,748
2021-2025	1,649,000	338,994	745,000	536,250	2,394,000	875,244
2026-2030	380,000	18,392	945,000	335,263	1,325,000	353,655
2031-2034	0	0	930,000	94,888	930,000	94,888
Total	\$3,329,000	\$1,043,117	\$3,240,000	\$1,627,543	\$6,569,000	\$2,670,660

Note 16 – 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 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 amount for capital acquisition. Disclosure of this information is required by State statute.

	Capital Improvement
Set-aside Balance as of June 30, 2014	\$0
Current Year Set-aside Requirement	90,825
Qualifying Disbursements	(90,825)
Set-aside Balance as of June 30, 2015	\$0

Note 17 – Jointly Governed Organization

The Center is a participant in the Metropolitan Educational Technology Association (META), which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent’s designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. The Center paid \$13,379 to META during fiscal year 2015 for services. Financial information can be obtained from Scott Armstrong, CFO, 100 Executive Drive, Marion, Ohio 43302.

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 18 – Public Entity Risk Pools

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 Ohio School Board Association (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.

Shared Risk Pool

Ohio School Plan – The Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. The 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 school district 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 19 – Contingencies

Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2015.

School Foundation

Career Center Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, career centers must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the Center, which can extend past fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the Center, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable or a liability to the Center.

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Litigation

The Center is not a party to any legal proceedings.

Note 20 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$193,658
Adult Education	44,626
Other Governmental Funds	151,840
Total	\$390,124

Note 21 – Change in Accounting Principle and Restatement of Net Position

Change in Accounting Principle

For fiscal year 2015, the Center implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had an effect on net position as reported June 30, 2014, as disclosed below.

Restatement of Prior Year Net Position

During fiscal year 2015, the Center raised its capitalization threshold from five hundred dollars to fifteen hundred dollars. This required a restatement of fiscal year 2014 capital assets. The implementation of GASB Statements No. 68 and No. 71 and the correction to capital assets had the following effect on net position as reported at June 30, 2014:

Net Position June 30, 2014	\$28,907,597
Adjustments:	
Capital Assets	(538,519)
Net Pension Liability	(18,357,986)
Deferred Outflow - Payments Subsequent to Measurement Date	913,174
Restated Net Position June 30, 2014	\$10,924,266

Other than employer contributions subsequent to the measurement date, the Center made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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REQUIRED SUPPLEMENTARY INFORMATION

Knox County Career Center
Required Supplementary Information
Schedule of the Center's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
Center's Proportion of the Net Pension Liability	0.054391%	0.054391%
Center's Proportionate Share of the Net Pension Liability	\$2,752,696	\$3,234,458
Center's Covered-Employee Payroll	\$1,562,687	\$1,735,580
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	176.15%	186.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the Center's measurement date which is the prior fiscal year end.

Knox County Career Center
Required Supplementary Information
Schedule of the Center's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
Center's Proportion of the Net Pension Liability	0.05219699%	0.05219699%
Center's Proportionate Share of the Net Pension Liability	\$12,696,115	\$15,123,528
Center's Covered-Employee Payroll	\$5,358,357	\$4,887,423
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	236.94%	309.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the Center's measurement date which is the prior fiscal year end.

Knox County Career Center
Required Supplementary Information
Schedule of Center Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$232,888	\$216,588	\$240,204	\$225,442
Contributions in Relation to the Contractually Required Contribution	<u>(232,888)</u>	<u>(216,588)</u>	<u>(240,204)</u>	<u>(225,442)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Center Covered-Employee Payroll	\$1,766,979	\$1,562,687	\$1,735,580	\$1,676,150
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
\$200,835	\$210,317	\$131,790	\$119,074	\$116,944	\$117,170
(200,835)	(210,317)	(131,790)	(119,074)	(116,944)	(117,170)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,597,731	\$1,553,302	\$1,339,329	\$1,212,566	\$1,094,981	\$1,107,467
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Knox County Career Center
Required Supplementary Information
Schedule of Center Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$721,115	\$696,586	\$635,365	\$686,733
Contributions in Relation to the Contractually Required Contribution	<u>(721,115)</u>	<u>(696,586)</u>	<u>(635,365)</u>	<u>(686,733)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Center Covered-Employee Payroll	\$5,150,821	\$5,358,357	\$4,887,423	\$5,282,562
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
\$681,482	\$688,307	\$666,920	\$657,443	\$637,148	\$571,798
(681,482)	(688,307)	(666,920)	(657,443)	(637,148)	(571,798)
\$0	\$0	\$0	\$0	\$0	\$0
\$5,242,169	\$5,294,669	\$5,130,154	\$5,057,254	\$4,901,138	\$4,398,446
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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SUPPLEMENTARY INFORMATION

KNOX COUNTY CAREER CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:			
Child Nutrition Cluster:			
(C)(D) School Breakfast Program	10.553	2015	\$ 25,328
(D)(E) National School Lunch Program - Food Donation	10.555	2015	6,482
(C)(D) National School Lunch Program	10.555	2015	81,734
Total National School Lunch Program			<u>88,216</u>
Total Child Nutrition Cluster			<u>113,544</u>
Total U.S. Department of Agriculture			<u>113,544</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:			
Adult Education - Basic Grants to States	84.002	2015	<u>38,235</u>
Student Financial Assistance Cluster:			
(F)(G) Federal Pell Grant Program	84.063	N/A	<u>637,247</u>
(F)(G) Federal Direct Student Loans	84.268	N/A	<u>1,119,530</u>
Total Student Financial Assistance Cluster			<u>1,756,777</u>
Career and Technical Education - Basic Grants to States	84.048	2015	<u>305,310</u>
Improving Teacher Quality State Grants	84.367	2015	<u>1,751</u>
Total U.S. Department of Education			<u>2,102,073</u>
Total Federal Financial Assistance			<u>\$ 2,215,617</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- (A) OAKS did not assign pass-through numbers for fiscal year 2015.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Student Financial Assistance Cluster" when determining major programs.
- (G) Program directly funded by the U.S. Department of Education



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By *Government Auditing Standards*

Knox County Career Center
Knox County
306 Martinsburg Road
Mount Vernon, Ohio 43050

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Knox County Career Center, Knox County, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Knox County Career Center's basic financial statements and have issued our report thereon dated January 26, 2016, wherein we noted as discussed in Note 21, the Knox County Career Center adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Knox County Career Center's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Knox County Career Center's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Knox County Career Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Education
Knox County Career Center

Compliance and Other Matters

As part of reasonably assuring whether the Knox County Career Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Knox County Career Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Knox County Career Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
January 26, 2016



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Compliance With Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required By OMB Circular A-133

Knox County Career Center
Knox County
306 Martinsburg Road
Mount Vernon, Ohio 43050

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Knox County Career Center's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Knox County Career Center's major federal program for the fiscal year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Knox County Career Center's major federal program.

Management's Responsibility

The Knox County Career Center's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Knox County Career Center's compliance for the Knox County Career Center's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Knox County Career Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Knox County Career Center's major program. However, our audit does not provide a legal determination of the Knox County Career Center's compliance.

Opinion on the Major Federal Program

In our opinion, the Knox County Career Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2015.

Board of Education
Knox County Career Center

Report on Internal Control Over Compliance

The Knox County Career Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Knox County Career Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Knox County Career Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
January 26, 2016

**KNOX COUNTY CAREER CENTER
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Student Financial Assistance Cluster: Federal Pell Grant Program - CFDA #84.063; Federal Direct Student Loans - CFDA #84.268
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes
2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS		

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Dave Yost • Auditor of State

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 3, 2016**