

**Coshocton County Career
Center**

Audited Financial Statements

June 30, 2004



**Auditor of State
Betty Montgomery**

Board of Education
Coshocton County Career Center
Coshocton, Ohio

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

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 24, 2005

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**COSHOCTON COUNTY CAREER CENTER
COSHOCTON COUNTY**

JUNE 30, 2004

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 31, 2005

To the Board of Education
Coshocton County Career Center
Coshocton, OH 43812

Independent Auditor's Report

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Coshocton County Career Center, Coshocton County, Ohio as of June 30, 2004, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, Coshocton County Career Center implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 31, 2005 on our consideration of the Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Rea & Associates, Inc.

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

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

Financial Highlights

Key financial highlights for 2004 are as follows:

- General revenues accounted for \$3,373,434 in revenue or 91% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$330,986 or 9% of total revenues of \$3,704,420.
- Total program expenses were \$3,519,798.
- In total, net assets increased \$184,652.
- Outstanding debt decreased from \$521,685 to \$504,881 during 2004.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Coshocton County Career Center as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

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

Reporting the Career Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Career Center to provide programs and activities, the view of the Career Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Career Center's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the Career Center as a whole, the *financial position* of the Career Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Career Center's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the Career Center's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and non instructional services, ie, food service operations.

Reporting the Career Center's Most Significant Funds

Fund Financial Statements

The analysis of the Career Center's major funds begins on page 11. Fund financial reports provide detailed information about the Career Center's major funds. The Career Center uses many funds to account for financial transactions. However, these fund financial statements focus on the Career Center's most significant funds. The Career Center's only major governmental fund is the general fund.

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

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

Reporting the Career Center's Fiduciary Responsibilities

The Career Center acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The Career Center's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities on page 19. These activities are excluded from the Career Center's other financial statements because the assets cannot be utilized by the Career Center to finance its operations.

The Career Center as a Whole

Recall the Statement of Net Assets provides the perspective of the Career Center as a whole.

Table 1 provides a summary of the Career Center's net assets for 2004 compared to 2003:

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$ 1,611,960	\$ 1,858,039
Capital Assets	1,411,281	1,481,677
Total Assets	3,023,241	3,339,716
Liabilities		
Long-Term Liabilities	700,327	688,533
Other Liabilities	1,739,060	2,251,981
Total Liabilities	2,439,387	2,940,514
Net Assets		
Invested in Capital		
Assets Net of Debt	983,781	1,037,373
Restricted	129,380	72,934
Unrestricted	(529,307)	(711,105)
Total Net Assets	\$ 583,854	\$ 399,202

Total net assets increased by \$184,652. A decrease of \$70,396 in total capital assets reflects depreciation exceeding additional purchases. Total liabilities decreased by \$501,127, which was primarily a result of a decrease in interfund payable, deferred revenue, and long-term liabilities.

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

Table 2 shows the changes in net assets for fiscal year 2004. Since this is the first year the Career Center has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. This table will present two fiscal years in side-by-side comparison in successive reporting years. This will enable the reader to draw further conclusions about the Career Center's financial status and possibly project future problems.

(Table 2)
Governmental Activities

	Governmental Activities 2004
Revenues:	
<i>Program Revenues:</i>	
Charges for Services	\$ 141,304
Operating Grants	189,682
<i>General Revenue:</i>	
Property Taxes	1,351,203
Grants and Entitlements	1,963,217
Other	59,014
 <i>Total Revenues</i>	 3,704,420
 <i>Net Transfers</i>	 30
 <i>Program Expenses</i>	
Instruction	1,952,094
Support Services	1,422,159
Operation of Non-Instructional Services	112,293
Extracurricular Activities	14,308
Interest and Fiscal Charges	18,944
 <i>Total Expenses</i>	 3,519,798
 Increase in Net Assets	 \$ 184,652

Governmental Activities

Several revenue sources fund the Career Center's governmental activities with property taxes being the largest contributor. Property tax levies generated \$1.4 million in 2004. General revenues from grants and entitlements, such as the school foundation program, are also a large revenue generator. With the combination of taxes and intergovernmental funding over 94% of expenses in governmental activities, the Career Center monitors both of these revenue sources very closely for fluctuations.

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

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

(Table 3)
Governmental Activities

	Total Cost of Service	Net Cost of Service
Instruction	\$ 1,952,094	\$ 1,794,498
Support Services:		
Pupil and Instructional Staff	440,356	355,246
Board of Education, Administration		
Fiscal, Business and Central	521,761	495,902
Operation and Maintenance of Plant	452,204	449,195
Pupil Transportation	7,838	5,180
Operation of Non-Instructional Services	112,293	55,626
Extracurricular Activities	14,308	14,221
Interest and Fiscal Charges	18,944	18,944
 Total	 \$ 3,519,798	 \$ 3,188,812

Instruction and student support services comprise 68% of governmental program expenses. Interest, fiscal and administration charges were 15%. Interest expense was attributable to the outstanding bonds; fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided by the Career Center. Pupil transportation and the operation and maintenance of facilities accounts for 14% of governmental program expenses. Operation of non-instructional services, consisting primarily of food service operations, comprises 3% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Coshocton County Career Center students.

General Fund Budgeting Highlights

The Career Center's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2004, the Career Center modified its general fund budget. The Career Center uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the Career Center had \$1,411,281 invested in land, land improvements, buildings and improvements, vehicles and equipment. See note 7 for additional details. Table 4 shows fiscal year 2004 balances compared with 2003.

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

	Governmental Activities	
	2004	2003
Land	\$ 28,429	\$ 28,429
Construction in Progress	0	444,304
Land improvements	3,333	3,563
Buildings and improvements	1,280,046	871,248
Furniture and Equipment	99,473	134,133
Totals	\$ 1,411,281	\$ 1,481,677

The \$70,396 decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks (see note 11). For fiscal year 2004, this amounted to \$28,539 for each set aside. The Career Center has qualifying disbursements or offsets exceeding these requirements for both set asides.

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

Debt

At June 30, 2004, the Career Center had \$504,881 in outstanding debt with \$52,193 due within one year. See note 8 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt, at June 30

	<u>2004</u>	<u>2003</u>
Installment Loan	\$ 77,381	\$ 77,381
H.B. 264 Loan	<u>427,500</u>	<u>444,304</u>
Total	<u>\$ 504,881</u>	<u>\$ 521,685</u>

Current Issues

The Career Center anticipates a slow, steady growth in enrollment, as has happened during the last three years. The Career Center is continually investigating new vocational programs to offer. As labor market information becomes available and future trends are analyzed, the Coshocton Career Center offers newer, cutting edge programs to benefit students, thus increasing enrollment and generating increased foundation funding for the Career Center.

Beginning the 2005-2006 school year, the Career Center anticipates the start of a new Natural Resources Program. The last new program, which started in September of 1999, Health Careers, now has over 40 students enrolled.

Contacting the Career Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Career Center's finances and to show the Career Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Brenda Neff, Treasurer of Coshocton County Career Center, 23640 Township Rd 202, Coshocton, OH 43812.

Coshocton County Career Center

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 214,331
Receivables:	
Taxes	1,314,011
Accounts	4,927
Internal Balances	2,200
Intergovernmental	66,253
Inventory Held For Resale	353
Materials and Supplies	9,885
Nondepreciable Capital Assets	28,429
Depreciable Capital Assets (Net)	<u>1,382,852</u>
<i>Total Assets</i>	<u>3,023,241</u>
Liabilities	
Accounts Payable	21,124
Accrued Wages and Benefits	335,444
Intergovernmental Payable	57,227
Deferred Revenue	1,196,006
Claims Payable	129,259
Long Term Liabilities:	
Due Within One Year	62,309
Due Within More Than One Year	<u>638,018</u>
<i>Total Liabilities</i>	<u>2,439,387</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	983,781
Restricted for:	
Capital Projects	9,454
Other Purposes	119,926
Unrestricted	<u>(529,307)</u>
<i>Total Net Assets</i>	<u>\$ 583,854</u>

The accompanying notes are an integral part of the basic financial statements.

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

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Total
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 308,006	\$ 28,977	\$ 0	\$ (279,029)
Special	24,210	146	0	(24,064)
Vocational	1,619,878	20,281	108,192	(1,491,405)
Support Services:				
Pupils	174,395	846	56,150	(117,399)
Instructional Staff	265,961	14,978	13,136	(237,847)
Board of Education	28,286	172	0	(28,114)
Administration	263,001	15,083	5,315	(242,603)
Fiscal	191,424	1,157	3,099	(187,168)
Business	38,556	236	0	(38,320)
Operation and Maintenance of Plant	452,204	2,679	330	(449,195)
Pupil Transportation	7,838	42	2,616	(5,180)
Central	494	0	797	303
Operation of Non-Instructional Services	112,293	56,620	47	(55,626)
Extracurricular Activities	14,308	87	0	(14,221)
Interest and Fiscal Charges	18,944	0	0	(18,944)
Total Governmental Activities	\$ 3,519,798	\$ 141,304	\$ 189,682	(3,188,812)

General Revenues

Property Taxes Levied for:

General Purposes	1,279,137
Debt Service	72,066
Grants and Entitlements not Restricted to Specific Programs	1,963,217
Investment Earnings	4,656
Miscellaneous	54,358
Total General Revenues	3,373,434
Net Transfers	30
<i>Change in Net Assets</i>	184,652
<i>Net Assets Beginning of Year - Restated (See note 3)</i>	399,202
<i>Net Assets End of Year</i>	\$ 583,854

The accompanying notes are an integral part of the basic financial statements.

Coshocton County Career Center

Balance Sheet

Governmental Funds

June 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 214,331	\$ 214,331
Receivables:			
Taxes	1,254,679	59,332	1,314,011
Accounts	4,927	0	4,927
Interfund	452,367	17,786	470,153
Intergovernmental	0	66,253	66,253
Inventory Held For Resale	0	353	353
Materials and Supplies	9,885	0	9,885
Advances to Other Funds	145,287	0	145,287
	<u>1,867,145</u>	<u>358,055</u>	<u>2,225,200</u>
<i>Total Assets</i>	<u>\$ 1,867,145</u>	<u>\$ 358,055</u>	<u>\$ 2,225,200</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 20,839	\$ 285	\$ 21,124
Accrued Wages and Benefits	318,829	16,615	335,444
Interfund Payable	0	102,332	102,332
Intergovernmental Payable	47,726	1,898	49,624
Advances from Other Funds	0	143,287	143,287
Deferred Revenue	1,205,695	123,269	1,328,964
	<u>1,593,089</u>	<u>387,686</u>	<u>1,980,775</u>
<i>Total Liabilities</i>	1,593,089	387,686	1,980,775
Fund Balances			
Fund Balance:			
Reserved for Encumbrances	23,557	2,179	25,736
Reserved for Inventory	9,885	353	10,238
Reserved for Property Taxes	48,984	2,316	51,300
Undesignated, Unreserved Reported in:			
General Fund	191,630	0	191,630
Special Revenue Funds	0	(108,655)	(108,655)
Debt Service Fund	0	64,722	64,722
Capital Projects Funds	0	9,454	9,454
	<u>274,056</u>	<u>(29,631)</u>	<u>244,425</u>
<i>Total Fund Balances</i>	<u>274,056</u>	<u>(29,631)</u>	<u>244,425</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,867,145</u>	<u>\$ 358,055</u>	<u>\$ 2,225,200</u>

The accompanying notes are an integral part of the basic financial statements.

Coshocton County Career Center
Reconciliation of Total Governmental Fund Balances
To Net Assets of Governmental Activities
June 30, 2004

Total Governmental Fund Balances	\$	244,425
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		1,411,281
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Grants	\$ 66,253	
Delinquent Property Taxes	66,705	132,958
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(496,880)
Intergovernmental payables include contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(7,603)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:		
H.B. 264 Loan	(427,500)	
Installment Loan	(77,381)	
Compensated Absences	(195,446)	(700,327)
Net Assets of Governmental Activities	\$	583,854

The accompanying notes are an integral part of the basic financial statements.

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 1,272,915	\$ 69,054	\$ 1,341,969
Intergovernmental	1,906,390	211,896	2,118,286
Investment Income	4,656	0	4,656
Tuition and Fees	0	66,185	66,185
Rentals	1,910	0	1,910
Charges for Services	16,598	56,611	73,209
Miscellaneous	48,762	5,596	54,358
<i>Total Revenues</i>	3,251,231	409,342	3,660,573
Expenditures:			
Current:			
Instruction:			
Regular	310,407	0	310,407
Special	24,210	0	24,210
Vocational	1,430,333	142,369	1,572,702
Support Services:			
Pupils	133,963	36,012	169,975
Instructional Staff	204,080	40,375	244,455
Board of Education	28,286	0	28,286
Administration	217,925	32,148	250,073
Fiscal	182,554	1,875	184,429
Business	40,006	0	40,006
Operation and Maintenance of Plant	425,488	33,495	458,983
Pupil Transportation	7,023	1,490	8,513
Central	40	454	494
Operation of Non-Instructional Services	1,402	102,634	104,036
Extracurricular Activities	15,765	0	15,765
Capital Outlay	15,023	0	15,023
Debt Service:			
Principal Retirement	0	47,500	47,500
Interest and Fiscal Charges	0	18,944	18,944
<i>Total Expenditures</i>	3,036,505	457,296	3,493,801
<i>Excess of Revenues Over (Under) Expenditures</i>	214,726	(47,954)	166,772
Other Financing Sources (Uses):			
Proceeds of Notes	0	30,696	30,696
Transfers In	4,793	730	5,523
Transfers Out	(700)	(4,793)	(5,493)
<i>Total Financing Sources and (Uses)</i>	4,093	26,633	30,726
<i>Net Change in Fund Balance</i>	218,819	(21,321)	197,498
<i>Fund Balances Beginning of Year</i>	54,982	(5,862)	49,120
<i>Increase (Decrease) in Reserve for Inventory</i>	255	(2,448)	(2,193)
<i>Fund Balances End of Year</i>	\$ 274,056	\$ (29,631)	\$ 244,425

The accompanying notes are an integral part of the basic financial statements.

Coshocton County Career Center
*Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds	\$	197,498
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital Asset Additions	\$ 45,719	
Current Year Depreciation	<u>(116,115)</u>	(70,396)

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

Grants	34,613	
Delinquent Property Taxes	<u>9,234</u>	43,847

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

47,500

Other financing sources in the government funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities

Proceeds of Bonds		(30,696)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(28,598)	
Intergovernmental	(5,208)	
Change in Inventory	<u>(2,193)</u>	(35,999)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.

32,898

Change in Net Assets of Governmental Activities	\$	<u><u>184,652</u></u>
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The accompanying notes are an integral part of the basic financial statements.

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,337,438	\$ 1,353,600	\$ 1,261,408	\$ (92,192)
Intergovernmental	1,602,963	1,667,072	1,906,390	239,318
Investment Income	11,163	3,455	4,656	1,201
Rentals	2,233	864	1,910	1,046
Charges for Services	25,842	14,986	16,598	1,612
Contributions and Donations	558	432	0	(432)
Miscellaneous	41,525	29,539	35,214	5,675
<i>Total Revenues</i>	3,021,722	3,069,948	3,226,176	156,228
Expenditures:				
Current				
Instruction:				
Regular	291,813	301,136	295,909	5,227
Vocational	1,497,366	1,447,548	1,437,408	10,140
Support Services				
Pupils	142,020	134,021	132,370	1,651
Instructional Staff	196,363	208,331	206,456	1,875
Board of Education	43,132	37,380	32,630	4,750
Administration	233,138	227,958	225,875	2,083
Fiscal	200,709	192,456	188,348	4,108
Business	41,703	35,516	35,288	228
Operation and Maintenance of Plant	476,720	456,704	446,434	10,270
Pupil Transportation	3,357	3,910	3,955	(45)
Central	433	415	410	5
Operation of Non-Instructional Services	1,516	1,457	1,403	54
Extracurricular Activities	16,527	15,882	15,714	168
<i>Total Expenditures</i>	3,144,797	3,062,714	3,022,200	40,514
Excess of Revenues Over (Under) Expenditures	(123,075)	7,234	203,976	196,742
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	0	9,000	8,751	(249)
Advances In	75,000	12,088	12,088	0
Advances Out	0	(320,132)	(320,132)	0
Operating Transfers In	0	5,000	4,793	(207)
Transfers Out	0	(700)	(700)	0
<i>Total Other Financing Sources (Uses)</i>	75,000	(294,744)	(295,200)	(456)
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(48,075)	(287,510)	(91,224)	196,286
<i>Fund Balance Beginning of Year</i>	142,845	142,845	142,845	0
Prior Year Encumbrances Appropriated	36,216	36,216	36,216	0
<i>Fund Balance End of Year</i>	\$ 130,986	\$ (108,449)	\$ 87,837	\$ 196,286

The accompanying notes are an integral part of the basic financial statements.

Coshocton County Career Center

Statement of Net Assets

Proprietary Fund

June 30, 2004

	Governmental Activities Internal Service Fund
Liabilities	
Interfund Payable	\$ 367,621
Claims Payable	<u>129,259</u>
<i>Total Liabilities</i>	<u>496,880</u>
Net Assets	
Unrestricted	<u>(496,880)</u>
<i>Total Net Assets</i>	<u><u>\$ (496,880)</u></u>

The accompanying notes are an integral part of the basic financial statements.

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

	Governmental Activities - Internal Service Fund
Operating Revenues:	
Charges for Services	\$ 515,898
Operating Expenses:	
Purchased Services	95,933
Claims	387,067
<i>Total Operating Expenses</i>	483,000
Operating Income	32,898
<i>Change in Net Assets</i>	32,898
<i>Net Assets Beginning of Year</i>	(529,778)
<i>Net Assets End of Year</i>	\$ (496,880)

The accompanying notes are an integral part of the basic financial statements.

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

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 516,843
Cash Paid for Goods and Services	(95,933)
Cash Paid for Claims	(452,036)
<i>Net Cash Used For Operating Activities</i>	<u>(31,126)</u>
Cash Flows From Non-Capital Financing Activities:	
Advances from Other Funds	367,621
Advances to Other Funds	(336,495)
<i>Net Cash Provided By Non-Capital Activities</i>	<u>31,126</u>
<i>Net Increase in Cash and Cash Equivalents</i>	0
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>0</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 0</u></u>
Reconciliation of Operating Income to Net Cash Used For Operating Activities:	
Operating Income	\$ 32,898
Adjustments:	
Decrease in Accounts Receivable	945
Decrease in Claims Payable	(64,969)
<i>Total Adjustments</i>	<u>(64,024)</u>
<i>Net Cash Used For Operating Activities</i>	<u><u>\$ (31,126)</u></u>

The accompanying notes are an integral part of the basic financial statements.

Coshocton County Career Center
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 10,180
Liabilities	
Due to Students	\$ 7,980
Interfund Payable	200
Advances from Other Funds	<u>2,000</u>
<i>Total Liabilities</i>	<u>\$ 10,180</u>

The accompanying notes are an integral part of the basic financial statements.

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Coshocton County Career Center (Career Center) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Career Center is a school district as defined by Section 3311.18 of the Ohio Revised Code. The Career Center operates under a Board of Education, consisting of five members appointed by participating school districts. Average daily membership on October 1, 2004, was 181. The Career Center employs 28 certificated and 17 non-certificated employees.

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Career Center are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Career Center. For the Career Center, this includes general operations, food service and student related activities of the Career Center. The Career Center has no component units.

The Career Center is involved with Ohio Mid-Eastern Regional Educational Services Association (OME-RESA), which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note 16.

Management believes the basic financial statements included in the report represent all of the funds of the Career Center over which the Career Center has the ability to exercise direct operating control.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Career Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Career Center also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the Career Center's accounting policies are shown below.

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Career 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 also eliminated to avoid "doubling up" revenues and expenses.

COSHOCTON COUNTY CAREER CENTER

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the financial condition of the governmental activities of the Career Center at year-end. The statement of activities present a comparison between direct expenses and program revenues for each program or function of the Career Center's governmental activities of the Career Center. 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 Career Center, with certain limitations. 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 Career Center.

Fund Financial Statements

During the year, the Career Center segregates transactions related to certain Career 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 Career Center at this more detailed level. The focus of governmental fund financial statements is on major funds. The General Fund is the only major fund and is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

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

Governmental Funds

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

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

COSHOCTON COUNTY CAREER CENTER

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund Types

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; the Career 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 Career Center on a cost reimbursement basis. The Career Center’s internal service fund accounts for the operation of the Career Center’s self-insurance program for employee medical benefits.

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Career Center are included on the statement of net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the Career Center receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 9.) 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 Career Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Career Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Career Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Career Center pools its cash for investment and administrative purposes. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are either charged when purchased or credited at the time of redemption to their respective fund balances. Investment income is recorded in the General Fund, as permitted by the Ohio Revised Code. Investments are stated at cost, which approximates market value at year end.

During fiscal year 2004, investments were limited to STAROhio. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$4,656, which includes \$2,627 assigned from other Career Center funds.

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

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. The Career Center has no prepaids at year end.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material and capital acquisition. See Note 11 for additional information regarding set-asides.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Career Center increased its capitalization threshold from \$250 to \$2,500 for its general capital assets during fiscal year 2004. The Career 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 assets or materially extend an asset's life are not.

COSHOCTON COUNTY CAREER CENTER

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets except 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>Governmental Activities Estimated Lives</u>
Land	N/A
Land improvements	20 Years
Buildings and Improvements	10-50 Years
Furniture and Fixtures	5-20 Years
Vehicles	8 Years

J. 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 column of the statement of net assets.

Long-term interfund loans (advances) are classified as “advances from other funds” and “advances to other funds”.

K. Compensated Absences

The Career Center reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences.” Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the 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 Career Center’s past experience of making termination payments.

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

COSHOCTON COUNTY CAREER CENTER

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

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

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

N. Fund Balance Reserves

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

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

COSHOCTON COUNTY CAREER CENTER

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

P. Estimates

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

Q. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all budgeted funds. Budgetary modifications, which change total fund appropriations, may only be made by resolution of the Board of Education. However, the Treasurer may make appropriations modifications at the function level without a Board of Education resolution as long as total appropriations per fund do not change.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Coshocton County Budget Commission for rate determination.

COSHOCTON COUNTY CAREER CENTER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the Career Center by March 1. As part of the certification, the Career Center receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the Career Center must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

Appropriations

A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control.

The allocation of appropriations among functions within a fund may be modified during the year by the Treasurer. The amounts reported as the final budgeted amounts in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – General Fund represents the final appropriation amounts, including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

COSHOCTON COUNTY CAREER CENTER

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Reporting

While the Career Center is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- 1) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2) Expenditures/expenses are recorded when paid in cash (budget) rather than when the liability is incurred (GAAP).
- 3) Encumbrances are treated as expenditure (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund:

	<u>General</u>
GAAP Basis	\$ 218,819
Net adjustments for revenue accruals	(4,216)
Net adjustments for expenditure accruals	<u>(305,827)</u>
Budget Basis	<u>\$ (91,224)</u>

COSHOCTON COUNTY CAREER CENTER

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND
BALANCES/NET ASSETS**

Changes in Accounting Principles

For fiscal year 2004, the Career Center has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”; GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”. At June 30, 2004, there was no effect on fund balance as a result of implementing GASB Statements No. 37 or No. 38.

GASB 34 creates new basic financial statements for reporting on the Career Center’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the Career Center’s programs for governmental activities and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting and the reclassification of funds based on the guidance provided in Statement No. 34. Due to these fund reclassifications, there are no business type activities reported.

Restatement of Fund Balance

The Career Center changed its capitalization threshold for capital assets from \$250 to \$2,500. The December 31, 2003 capital asset balances have been adjusted for this change and accumulated depreciation as required by GASB 34 (See Note 7).

It was determined that enterprise funds should be reclassified to special revenue funds and prepaids will now be reported at the fund financial statement level. The restatements for GASB Statement No. 34 and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND
BALANCES/NET ASSETS**

	<u>General</u>	<u>Non-Major</u>	<u>Total</u>
Fund Balances, June 30, 2003	\$ 54,982	\$ (4,914)	\$ 50,068
Fund structure change	<u>0</u>	<u>(948)</u>	<u>(948)</u>
<i>Restated fund balances, June 30, 2003</i>	<u>\$ 54,982</u>	<u>\$ (5,862)</u>	49,120
GASB 34 adjustments:			
Capital assets, June 30, 2003			5,069,769
Change in value of capital assets: cost			(442,144)
Change in value of capital assets: accumulated depreciation			<u>(3,145,948)</u>
<i>Adjusted capital assets, June 30, 2003</i>			1,481,677
Compensated absences			(166,848)
Internal Service Fund			(529,778)
Pension obligations			(2,395)
Long-term (deferred) assets			89,111
Long-term liabilities			<u>(521,685)</u>
<i>Governmental activities net assets, June 30, 2003</i>			<u>\$ 399,202</u>

NOTE 4: FUND DEFICITS

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

	<u>Deficit</u>
Other Governmental Funds:	
Food Service	\$ 22,744
Uniform Supplies	5,230
Adult Education	172,290
Career Development	3,331
Enhancements Supplemental	5,542

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

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 5: CASH AND CASH EQUIVALENTS

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

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

Inactive deposits are public deposits identified as not required for use within the current two 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 or depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those 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 may be deposited or invested in the following securities:

- 1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 5: CASH AND CASH EQUIVALENTS (Continued)

- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- 6) The State Treasurer's Investment Pool (STAROhio).

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Career Center or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Deposits and Cash

At year-end, the carrying amount of the Career Center's deposits was \$516,635, which includes \$310 of cash on hand, and the bank balance was \$528,975.

1. \$100,000 was covered by federal depository insurance.
2. \$428,975 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the Career Center's name and all State statutory requirements for the deposit of money has been followed, noncompliance with federal requirements would potentially subject the Career Center to a successful claim by the Federal Deposit Insurance Corporation.

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 5: CASH AND CASH EQUIVALENTS (Continued)

Funds Held by Fiscal Agent

The Career Center participates in the Ohio Mid-Eastern Regional Educational Service Agency School Employees Insurance Consortium for employee benefits. The amount held at fiscal year end for the Employee Benefit Self-Insurance Fund was (\$381,792), which is owed to the Consortium. The Career Center also has \$14,171, representing Internal Service Fund pooled cash and cash equivalents. The net difference is (\$367,621) and is reported on the balance sheet as an inter-fund payable to various other funds (Note 14). All benefit deposits are made to the Consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the Consortium.

Investments

STAROhio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Value</u>	<u>Fair Value</u>
STAROhio	\$ <u>89,668</u>	\$ <u>89,668</u>

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 224,511	\$ 0
STAROhio	(89,668)	89,668
Deficit Funds Held by Fiscal Agent For Self Insurance	<u>381,792</u>	<u>0</u>
GASB Statement No. 3	\$ <u>516,635</u>	\$ <u>89,668</u>

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 6: DEFERRED REVENUE

Deferred revenue at June 30, 2004 consisted of the following:

	<u>Statement of Net Assets</u>	<u>Balance Sheet</u>
Property Taxes Receivable	\$ 1,196,006	\$ 1,262,711
Intergovernmental Receivable	<u>0</u>	<u>66,253</u>
 Total	 <u>\$ 1,196,006</u>	 <u>\$ 1,328,964</u>

NOTE 7: CAPITAL ASSETS

The capital net assets of the governmental activities have been restated due to changes in the Career Center's capital asset policy (See Note 3).

	<u>Balance June 30, 2003</u>	<u>Adjustments</u>	<u>Restated Balance June 30, 2003</u>
Governmental Activities:			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 28,429	\$ 0	\$ 28,429
Construction in progress	<u>444,304</u>	<u>0</u>	<u>444,304</u>
<i>Total capital assets, not being depreciated</i>	472,733	0	472,733
 <i>Capital assets, being depreciated:</i>			
Land improvements	0	319,230	319,230
Buildings & improvements	3,077,237	49,518	3,126,755
Furniture and equipment	1,588,520	(903,046)	685,474
Vehicles	<u>7,287</u>	<u>92,154</u>	<u>99,441</u>
<i>Total capital assets being depreciated</i>	4,673,044	(442,144)	4,230,900
 Less: Accumulated depreciation	<u>76,008</u>	<u>3,145,948</u>	<u>3,221,956</u>
 <i>Total capital assets being depreciated, net</i>	4,597,036	(3,588,092)	1,008,944
 <i>Governmental activities capital assets, net</i>	<u>\$ 5,069,769</u>	<u>\$ (3,588,092)</u>	<u>\$ 1,481,677</u>

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 7: CAPITAL ASSETS (Continued)

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

	Restated Balance <u>June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2004</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 28,429	\$ 0	\$ 0	\$ 28,429
Construction in progress	444,304	0	(444,304)	0
<i>Total capital assets, not being depreciated</i>	<u>472,733</u>	<u>0</u>	<u>(444,304)</u>	<u>28,429</u>
 <i>Capital assets, being depreciated:</i>				
Land improvements	319,230	0	0	319,230
Building and improvements	3,126,755	477,500	0	3,604,255
Furniture and equipment	685,474	12,523	(6,159)	691,838
Vehicles	99,441	0	0	99,441
<i>Total capital assets, being depreciated</i>	<u>4,230,900</u>	<u>490,023</u>	<u>(6,159)</u>	<u>4,714,764</u>
 <i>Less: Accumulated depreciation:</i>				
Land improvements	(315,667)	(230)	0	(315,897)
Building and improvements	(2,255,507)	(68,702)	0	(2,324,209)
Furniture and equipment	(551,341)	(47,183)	6,159	(592,365)
Vehicles	(99,441)	0	0	(99,441)
<i>Total accumulated depreciation</i>	<u>(3,221,956)</u>	<u>(116,115)</u>	<u>6,159</u>	<u>(3,331,912)</u>
 <i>Total capital assets being depreciated, net</i>	 <u>1,008,944</u>	 <u>373,908</u>	 <u>0</u>	 <u>1,382,852</u>
 <i>Governmental activities capital assets, net</i>	 <u>\$ 1,481,677</u>	 <u>\$ 373,908</u>	 <u>\$ (444,304)</u>	 <u>\$ 1,411,281</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 3,541
Vocational	85,594
Support Services:	
Instructional Staff	11,020
Administration	316
Business	314
Operation and maintenance of plant	14,727
Pupil transportation	25
Operation of non-instructional services	578
	<u>\$ 116,115</u>

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 8: LONG-TERM OBLIGATIONS

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

	<u>Outstanding June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2004</u>	<u>Due Within One Year</u>
H.B. 264 Loan, 4.5% interest rate, maturing 2013	\$ 444,304	\$ 30,696	\$ (47,500)	\$ 427,500	\$ 47,500
Waterline and sewer line tie-in, 4.5%	77,381	0	0	77,381	4,693
Compensated absences	<u>166,848</u>	<u>28,598</u>	<u>0</u>	<u>195,446</u>	<u>10,116</u>
 Total Long-Term Obligations	 <u>\$ 688,533</u>	 <u>\$ 59,294</u>	 <u>\$ (47,500)</u>	 <u>\$ 700,327</u>	 <u>\$ 62,309</u>

In fiscal year 1999, the School District entered into an agreement with the Coshocton County Commissioners to amortize \$100,000 worth of water and sewer line tap-in and other fees over a ten-year period. These amortized costs will mature in fiscal year 2014. Payments will be funded with general fund operating revenues. The present value of \$100,000 over 10 years at an incremental borrowing rate of 4.5% amounts to \$77,381. Construction was completed in June 2003 and the first payment is due in the year 2005.

The Career Center's overall legal debt margin was \$50,718,515 at June 30, 2004.

During fiscal year 2003, the Career Center entered into a loan for a house bill 264 project that consists of various repairs and upgrades to the school building to become more energy efficient. The School District's authorized loan is \$475,000 for the project. As of June 30, 2004 the School District had drawn down the entire amount. Principal and interest requirements to retire long-term obligations outstanding at June 30, 2004 are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>		<u>Installment Loan</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 47,500	\$ 9,566	\$ 4,693	\$ 5,307	\$ 52,193	\$ 14,873
2006	47,500	9,025	6,729	3,271	54,229	12,296
2007	47,500	7,897	7,032	2,968	54,532	10,865
2008	47,500	6,769	7,348	2,652	54,848	9,421
2009	47,500	5,641	7,679	2,321	55,179	7,962
2010-2013	<u>190,000</u>	<u>11,281</u>	<u>43,900</u>	<u>6,100</u>	<u>233,900</u>	<u>17,381</u>
	<u>\$ 427,500</u>	<u>\$ 50,179</u>	<u>\$ 77,381</u>	<u>\$ 22,619</u>	<u>\$ 504,881</u>	<u>\$ 72,798</u>

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 9: PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Career Center. The Coshocton County Auditor is responsible for assessing and remitting these property taxes to the Career Center.

Real property taxes are based on assessed value equal to 35% of appraisal value. The Coshocton County Auditor reappraises real property every six years with a triennial update. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, real property taxes are billed semi-annually one year in arrears. The tax rate applied to real property collected in 2003 before certain homestead and rollback reductions, which reductions are reimbursed to the Career Center by the State of Ohio, amounted to \$2.50 per \$1,000 of valuation. The effective tax rate applied after adjustment for inflationary increases in property values was \$2.50 per \$1,000 of assessed valuation for residential and agricultural real property, and \$2.50 per \$1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 2003 was \$2.50 per \$1,000 of valuation.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the Career Center as an advance at June 30, 2004, was \$51,300.

	<u>Coshocton</u>	<u>Guemsey</u>	<u>Licking</u>	<u>Tuscarawas</u>	<u>Muskingum</u>
Real Property - 2003:					
Residential/					
Agricultural	\$ 347,938,100	\$ 2,033,150	\$ 8,747,020	\$ 1,501,740	\$ 19,700
Commercial/Industrial	94,143,250	500,920	145,580	0	0
Public Utilities	403,530	0	0	0	0
Minerals	3,312,850	33,150	323,860	15,370	0
Tangible Personal					
Property - 2004:					
General	70,915,392	14,570	120,430	9,850	17,090
Public Utilities	95,410,440	422,270	577,850	168,040	6,560
Total Valuation	<u>\$ 612,123,562</u>	<u>\$ 3,004,060</u>	<u>\$ 9,914,740</u>	<u>\$ 1,695,000</u>	<u>\$ 43,350</u>

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 10: RECEIVABLES

Receivables at June 30, 2004 consisted of federal grants. The amounts for grants not collected in the available period are recorded as deferred revenue. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Other Governmental Funds:	
Career Development	\$ 7,714
Vocational Education	56,924
Title V	596
Title II	584
Rural Education	<u>435</u>
 Total Intergovernmental Receivables	 <u>\$ 66,253</u>

NOTE 11: STATUTORY RESERVES

The Career Center is required by state law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Reserve</u>	<u>Maintenance</u>	<u>Totals</u>
Cash balances as of			
June 30, 2003	\$ 0	\$ 0	\$ 0
Set aside carry forward from prior year	(330,245)	(365,369)	(695,614)
Current year set-aside requirement	28,539	28,539	57,078
Current year offsets	0	(30,696)	(30,696)
Current year qualifying disbursements	<u>(119,787)</u>	<u>(32,096)</u>	<u>(151,883)</u>
 Totals	 <u>\$ (421,493)</u>	 <u>\$ (399,622)</u>	 <u>\$ (821,115)</u>
Amount available for carryforward to FY 2005	 <u>\$ (421,493)</u>	 <u>\$ (396,065)</u>	 <u>\$ (817,558)</u>
 Cash balance carried forward to FY 2005	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>0</u>

The Career Center had qualifying disbursements in the textbook set-aside during the year that reduced the set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirements in future years.

The Career Center had qualifying offsets (HB264 debt proceeds) and qualifying disbursements during the year that reduced the capital acquisition set-aside below zero. The extra amount may be used to reduce the set-aside requirements for future years.

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 12: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System (SERS)

The Career Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the Career Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts, by the SERS Retirement Board. The Career Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$66,753, \$61,863 and \$64,594, respectively. The Career Center has contributed 100% for all fiscal years.

B. State Teachers Retirement System (STRS)

The Career Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)

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

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

The Career Center's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$206,104, \$199,339 and \$200,511, respectively; 100% has been contributed for each fiscal year.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, one member of the Board of Education has elected social security. The Career Center's liability is 6.2% of wages paid.

NOTE 13: POSTEMPLOYMENT BENEFITS

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

Retirees who participated in the DC or Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the Career Center, this amount equaled \$14,722 for fiscal year 2004.

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll, a decrease of .92% from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established as \$25,400. For the Career Center, the amount to fund health care benefits, including surcharge, during the 2004 fiscal year equaled \$31,014.

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

NOTE 14: INTERFUND ACTIVITY

At June 30, 2004, receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Advances to Other Funds</u>	<u>Advances From Other Funds</u>
General Fund	\$ 452,367	\$ 0	\$ 145,287	\$ 0
Debt service	17,786	0	0	0
Other Governmental:				
Uniform supplies	0	4,229	0	1,000
Food Service	0	11,710	0	3,000
Adult Education	0	56,554	0	108,607
Vocational Education Enhancements	0	8,338	0	0
VEPD	0	21,501	0	260
Career Development	0	0	0	692
Adult Basic Education	0	0	0	29,728
Agency	0	200	0	2,000
Internal Service - Self-Insurance	0	367,621	0	0
	<u>\$ 470,153</u>	<u>\$ 470,153</u>	<u>\$ 145,287</u>	<u>\$ 145,287</u>

Within the Agency Fund, current year operating transfers out of \$730 exceed transfers out of \$700 by \$30.

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 15: RISK MANAGEMENT

A. General Insurance

The Career 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 District has a comprehensive property and casualty policy with a deductible of \$1,000 per incident on property and equipment. The Career Center's comprehensive property and casualty policy aggregate limit is approximately \$7,158,000. The Career Center's vehicle insurance policy limit is \$2,000,000 with a \$500 collision deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the Career Center carries a \$3,000,000 blanket umbrella policy. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 in aggregate. Settlement claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Fidelity Bond

The board president and superintendent have a \$20,000 position bond. The treasurer is covered under a surety bond in the amount of \$60,000. In addition, the Career Center is covered by an umbrella policy in the amount of \$500,000.

C. Workers' Compensation

The Career Center pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The Career Center is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

D. Employee Health Insurance

The Career Center is self-insured for its medical, visions and dental insurance programs. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. The District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool, consisting of fifty members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$50,000. The liability for unpaid claims cost of \$129,259 is reported in the fund at June 30, 2004 in accordance with Government Accounting Standards Board Statement No. 10.

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 15: RISK MANAGEMENT (Continued)

Changes in the fund's claim liability for 2003 and 2004 are listed below.

	<u>Balance at Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>Balance at End of Year</u>
2003	\$ <u>100,000</u>	\$ <u>583,581</u>	\$ <u>489,353</u>	\$ <u>194,228</u>
2004	\$ <u>194,228</u>	\$ <u>387,067</u>	\$ <u>452,036</u>	\$ <u>129,259</u>

NOTE 16: JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Regional Education Association (OME-RESA)

OME-RESA is a jointly governed organization comprised of 52 schools, created as a regional council of governments pursuant to state statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member school districts. Each of the governments of these school districts support OME-RESA based on a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating school districts are located. Financial information can be obtained by contacting the Treasurer at the Jefferson County Education Services Center, which serves as fiscal agent, located in Steubenville, Ohio.

NOTE 17: CONTINGENCIES

A. Grants

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

B. Litigation

The Career Center is not party to any claims or lawsuits that would have a material effect, if any, on the financial condition of the Career Center.

COSHOCTON COUNTY CAREER CENTER

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 18: STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed “. . . the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient . . .” The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 19: FINANCIAL CONDITION CONCERNS

The School District's Self Insurance Fund has a net \$367,621 cash deficit as of June 30, 2004. The cash deficit is absorbed by other school district funds and reported as an interfund payable on the balance sheet. The balance sheet reflects a total cash balance-all funds of \$214,331 as a result. The deficit has continued to increase over the past few years due to increased medical claims and under funding.

The School District consulted with OME-RESA and made several significant plan changes, which were successfully negotiated with the School District's unions, in the fall of 2004, in an effort to eliminate the cash deficit in approximately three years. A sample of some of the more significant plan changes include the implementation of the Medical Mutual Super Med Plus network which will deliver substantial discounts to the plan; elimination of the Basic Major Medical Plan, and substituting a more contemporary plan requiring deductible and coinsurance; substantial out of network penalties, pre-certification requirements; increased drug plan co-payments; and an increased funding requirement. As a result of these measures the deficit cash balances at December 31, 2004, January 31, 2005 and February 28, 2005 were \$238,602, \$208,161, and \$186,129, respectively. School District management believe these measures taken will reduce the Self Insurance Internal Service Fund's negative cash balances as planned which will allow the School District to continue operating as a going concern.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 31, 2005

To the Board of Education
Coshocton County Career Center
Coshocton, OH 43812

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coshocton County Career Center (the "Career Center") as of and for the year ended June 30, 2004, which collectively comprise the Career Center's basic financial statements and have issued our report thereon dated March 31, 2005, which included an explanatory paragraph regarding the accounting change to GASB 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Career Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Coshocton County Career Center in a separate letter dated March 31, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Career Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Career Center in a separate letter dated March 31, 2005.

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

Rea & Associates, Inc.



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Betty Montgomery**

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COSHOCTON COUNTY CAREER CENTER

COSHOCTON 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
JUNE 7, 2005**