

Knox County Career Center

Knox County

Single Audit

July 1, 2002 Through June 30, 2003

Fiscal Year Audited Under GAGAS: 2003

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

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

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Telephone (740) 289-4131

Fax (740) 289-3639 Web: [www.harscherer.com](http://www.harscherer.com)





**Auditor of State  
Betty Montgomery**

Board of Education  
Knox County Career Center

We have reviewed the Independent Auditor's Report of the Knox County Career Center, Knox County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

December 26, 2003

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**KNOX COUNTY CAREER CENTER  
KNOX COUNTY, OH**

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Fax (740) 289-3639 Web: www.harscherer.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditor's Report

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

We have audited the accompanying general-purpose financial statements of the Knox County Career Center, as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Knox County Career Center's management. Our responsibility is to express an opinion on these general-purpose 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Knox County Career Center, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2003, on our consideration of the Knox County Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

November 28, 2003

Knox County Career Center  
 Combined Balance Sheet  
 All Fund Types Account Groups  
 For the Fiscal Year Ended June 30, 2003

	Governmental Fund Types			Proprietary Fund Types	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service
<b>Assets and Other Debits</b>					
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$6,101,263	\$108,382	\$1,361,652	\$194,000	\$6,707
Receivables:					
Taxes	3,574,239	0	0	0	0
Accounts	6,239	0	0	15,930	0
Intergovernmental	0	59,728	0	0	0
Interfund	60,935	0	0	0	0
Inventory Held for Resale	0	0	0	2,577	0
Materials and Supplies Inventory	6,761	0	0	0	0
Prepaid Items	29,846	0	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	61,011	0
<b>Other Debits</b>					
Amount to be Provided from General Government Resources	0	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$9,779,283</u></b>	<b><u>\$168,110</u></b>	<b><u>\$1,361,652</u></b>	<b><u>\$273,518</u></b>	<b><u>\$6,707</u></b>



Knox County Career Center  
 Combined Balance Sheet  
 All Fund Types Account Groups  
 For the Fiscal Year Ended June 30, 2003

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Trust and Agency			
\$48,909	\$0	\$0	\$7,820,913
0	0	0	3,574,239
0	0	0	22,169
0	0	0	59,728
0	0	0	60,935
0	0	0	2,577
0	0	0	6,761
0	0	0	29,846
0	7,826,474	0	7,887,485
0	0	785,215	785,215
<u>\$48,909</u>	<u>\$7,826,474</u>	<u>\$785,215</u>	<u>\$20,249,868</u>

(Continued)

Knox County Career Center  
 Combined Balance Sheet  
 All Fund Types Account Groups  
 For the Fiscal Year Ended June 30, 2003

	Governmental Fund Types			Proprietary Fund Types	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service
<b><i>Liabilities, Fund Equity and Other Credits</i></b>					
<b>Liabilities</b>					
Accounts Payable	\$29,671	\$6,901	\$376,379	\$2,056	\$0
Accrued Wages Payable	458,444	10,806	0	40,386	0
Compensated Absences Payable	16,497	0	0	38,802	0
Interfund Payable	0	60,935	0	0	0
Intergovernmental Payable	29,650	2,114	0	11,596	0
Deferred Revenue	3,161,207	26,060	0	206	0
Due to Students	0	0	0	0	0
Claims Payable	0	0	0	0	1,971
Energy Conservation Bonds Payable	0	0	0	0	0
<b><i>Total Liabilities</i></b>	<b><u>3,695,469</u></b>	<b><u>106,816</u></b>	<b><u>376,379</u></b>	<b><u>93,046</u></b>	<b><u>1,971</u></b>
<b>Fund Equity and Other Credits</b>					
Investment in General Fixed Assets	0	0	0	0	0
Retained Earnings:					
Unreserved	0	0	0	180,472	4,736
Fund Balance:					
Reserved for Encumbrances	105,225	19,295	985,273	0	0
Reserved for Inventory	6,761	0	0	0	0
Reserved for Property Taxes	413,032	0	0	0	0
Reserved for Endowments	0	0	0	0	0
Unreserved, Undesignated	5,558,796	41,999	0	0	0
<b><i>Total Fund Equity and Other Credits</i></b>	<b><u>6,083,814</u></b>	<b><u>61,294</u></b>	<b><u>985,273</u></b>	<b><u>180,472</u></b>	<b><u>4,736</u></b>
<b><i>Total Liabilities, Fund Equity and Other Credits</i></b>	<b><u><u>\$9,779,283</u></u></b>	<b><u><u>\$168,110</u></u></b>	<b><u><u>\$1,361,652</u></u></b>	<b><u><u>\$273,518</u></u></b>	<b><u><u>\$6,707</u></u></b>

See accompanying notes to the general purpose financial statements

Knox County Career Center  
 Combined Balance Sheet  
 All Fund Types Account Groups  
 For the Fiscal Year Ended June 30, 2003

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Obligations		
	\$0	\$0	\$0	\$415,007
	0	0	0	509,636
	0	0	390,249	445,548
	0	0	0	60,935
	0	0	7,208	50,568
	0	0	0	3,187,473
35,009	0	0	0	35,009
0	0	0	0	1,971
0	0	387,758	387,758	
<u>35,009</u>	<u>0</u>	<u>785,215</u>	<u>5,093,905</u>	
0	7,826,474	0	0	7,826,474
0	0	0	0	185,208
0	0	0	0	1,109,793
0	0	0	0	6,761
0	0	0	0	413,032
11,868	0	0	0	11,868
2,032	0	0	0	5,602,827
<u>13,900</u>	<u>7,826,474</u>	<u>0</u>	<u>15,155,963</u>	
<u>\$48,909</u>	<u>\$7,826,474</u>	<u>\$785,215</u>	<u>\$20,249,868</u>	

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Knox County Career Center  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2003

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Revenues</b>				
Taxes	\$2,636,934	\$0	\$0	\$2,636,934
Intergovernmental	3,915,092	496,788	0	4,411,880
Interest	135,806	186	0	135,992
Customer Services	77,491	0	0	77,491
Tuition and Fees	2,505	0	0	2,505
Donations	6,773	43,871	0	50,644
Miscellaneous	178,581	0	0	178,581
<i>Total Revenues</i>	<u>6,953,182</u>	<u>540,845</u>	<u>0</u>	<u>7,494,027</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	38,194	100,400	0	138,594
Vocational	3,390,932	123,545	0	3,514,477
Adult/Continuing	0	48,097	0	48,097
Support Services:				
Pupils	363,611	121,335	0	484,946
Instructional Staff	450,924	75,055	0	525,979
Board of Education	13,881	0	0	13,881
Administration	705,295	11,151	0	716,446
Fiscal	321,635	0	0	321,635
Business	91,933	0	0	91,933
Operation and Maintenance of Plant	725,180	11,128	0	736,308
Central	1,105	76,529	0	77,634
Non-Instructional Services	0	495	0	495
Extracurricular Activities	31,797	775	0	32,572
Intergovernmental	20,000	0	0	20,000
Capital Outlay	218,806	0	1,573,817	1,792,623
Debt Service:				
Principal Retirement	82,081	0	0	82,081
Interest and Fiscal Charges	23,239	0	0	23,239
<i>Total Expenditures</i>	<u>6,478,613</u>	<u>568,510</u>	<u>1,573,817</u>	<u>8,620,940</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>474,569</u>	<u>(27,665)</u>	<u>(1,573,817)</u>	<u>(1,126,913)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	100	0	0	100
Operating Transfers In	0	3,842	2,559,090	2,562,932
Operating Transfers Out	(2,767,932)	0	0	(2,767,932)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,767,832)</u>	<u>3,842</u>	<u>2,559,090</u>	<u>(204,900)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(2,293,263)</u>	<u>(23,823)</u>	<u>985,273</u>	<u>(1,331,813)</u>
<i>Fund Balances Beginning of Year</i>	8,383,770	85,117	0	8,468,887
<i>Decrease in Materials and Supplies Inventory</i>	<u>(6,693)</u>	<u>0</u>	<u>0</u>	<u>(6,693)</u>
<i>Fund Balances End of Year</i>	<u><u>\$6,083,814</u></u>	<u><u>\$61,294</u></u>	<u><u>\$985,273</u></u>	<u><u>\$7,130,381</u></u>

See accompanying notes to the general purpose financial statements

Knox County Career Center  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Taxes	\$3,289,400	\$3,284,744	(\$4,656)	\$0	\$0	\$0
Intergovernmental	3,938,223	3,915,092	(23,131)	552,417	492,689	(59,728)
Interest	186,000	149,884	(36,116)	150	186	36
Customer Services	50,000	72,426	22,426	0	0	0
Tuition and Fees	10,000	8,121	(1,879)	0	0	0
Donations	4,000	6,773	2,773	19,681	43,871	24,190
Miscellaneous	168,000	197,086	29,086	0	0	0
<i>Total Revenues</i>	<u>7,645,623</u>	<u>7,634,126</u>	<u>(11,497)</u>	<u>572,248</u>	<u>536,746</u>	<u>(35,502)</u>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	47,452	38,176	9,276	99,828	99,828	0
Vocational	3,631,855	3,417,150	214,705	134,776	128,612	6,164
Adult/Continuing	0	0	0	55,422	49,451	5,971
Support Services:						
Pupils	400,310	369,281	31,029	133,964	130,093	3,871
Instructional Staff	506,271	456,684	49,587	82,059	77,680	4,379
Board of Education	17,183	13,881	3,302	0	0	0
Administration	845,097	719,904	125,193	11,336	11,116	220
Fiscal	376,009	320,731	55,278	0	0	0
Business	108,909	95,553	13,356	0	0	0
Operation and Maintenance of Plant	1,007,268	766,165	241,103	39,183	11,305	27,878
Central	1,172	1,161	11	81,465	81,465	0
Non-Instructional Servies	0	0	0	500	495	5
Extracurricular Activities	33,502	31,746	1,756	775	775	0
Intergovernmental	20,000	20,000	0	0	0	0
Capital Outlay	249,165	243,374	5,791	0	0	0
Debt Service:						
Principal Retirement	82,081	82,081	0	0	0	0
Interest and Fiscal Charges	23,241	23,239	2	0	0	0
<i>Total Expenditures</i>	<u>7,349,515</u>	<u>6,599,126</u>	<u>750,389</u>	<u>639,308</u>	<u>590,820</u>	<u>48,488</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>296,108</u>	<u>1,035,000</u>	<u>738,892</u>	<u>(67,060)</u>	<u>(54,074)</u>	<u>12,986</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Fixed Assets	0	100	100	0	0	0
Refund of Prior Year Expenditures	1,500	1,213	(287)	0	0	0
Advances In	120,000	206,013	86,013	60,000	81,935	21,935
Advances Out	(235,000)	(234,935)	65	(62,013)	(53,013)	9,000
Operating Transfers In	0	0	0	3,842	3,842	0
Operating Transfers Out	(2,767,932)	(2,767,932)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,881,432)</u>	<u>(2,795,541)</u>	<u>85,891</u>	<u>1,829</u>	<u>32,764</u>	<u>30,935</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(2,585,324)</u>	<u>(1,760,541)</u>	<u>824,783</u>	<u>(65,231)</u>	<u>(21,310)</u>	<u>43,921</u>
<i>Fund Balances Beginning of Year</i>	7,498,916	7,498,916	0	65,341	65,341	0
Prior Year Encumbrances Appropriated	227,993	227,993	0	38,156	38,156	0
<i>Fund Balances End of Year</i>	<u>\$5,141,585</u>	<u>\$5,966,368</u>	<u>\$824,783</u>	<u>\$38,266</u>	<u>\$82,187</u>	<u>\$43,921</u>

See accompanying notes to the general purpose financial statements

Knox County Career Center  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2003

	Capital Projects			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Taxes	\$0	\$0	\$0	\$3,289,400	\$3,284,744	(\$4,656)
Intergovernmental	0	0	0	4,490,640	4,407,781	(82,859)
Interest	0	0	0	186,150	150,070	(36,080)
Customer Services	0	0	0	50,000	72,426	22,426
Tuition and Fees	0	0	0	10,000	8,121	(1,879)
Donations	0	0	0	23,681	50,644	26,963
Miscellaneous	0	0	0	168,000	197,086	29,086
<i>Total Revenues</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,217,871</u>	<u>8,170,872</u>	<u>(46,999)</u>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	0	0	0	147,280	138,004	9,276
Vocational	0	0	0	3,766,631	3,545,762	220,869
Adult/Continuing	0	0	0	55,422	49,451	5,971
Support Services:						
Pupils	0	0	0	534,274	499,374	34,900
Instructional Staff	0	0	0	588,330	534,364	53,966
Board of Education	0	0	0	17,183	13,881	3,302
Administration	0	0	0	856,433	731,020	125,413
Fiscal	0	0	0	376,009	320,731	55,278
Business	0	0	0	108,909	95,553	13,356
Operation and Maintenance of Plant	0	0	0	1,046,451	777,470	268,981
Central	0	0	0	82,637	82,626	11
Non-Instructional Services	0	0	0	500	495	5
Extracurricular Activities	0	0	0	34,277	32,521	1,756
Intergovernmental	0	0	0	20,000	20,000	0
Capital Outlay	2,559,090	2,559,090	0	2,808,255	2,802,464	5,791
Debt Service:						
Principal Retirement	0	0	0	82,081	82,081	0
Interest and Fiscal Charges	0	0	0	23,241	23,239	2
<i>Total Expenditures</i>	<u>2,559,090</u>	<u>2,559,090</u>	<u>0</u>	<u>10,547,913</u>	<u>9,749,036</u>	<u>798,877</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,559,090)</u>	<u>(2,559,090)</u>	<u>0</u>	<u>(2,330,042)</u>	<u>(1,578,164)</u>	<u>751,878</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Fixed Assets	0	0	0	0	100	100
Refund of Prior Year Expenditures	0	0	0	1,500	1,213	(287)
Advances In	0	0	0	180,000	287,948	107,948
Advances Out	0	0	0	(297,013)	(287,948)	9,065
Operating Transfers In	2,559,090	2,559,090	0	2,562,932	2,562,932	0
Operating Transfers Out	0	0	0	(2,767,932)	(2,767,932)	0
<i>Total Other Financing Sources (Uses)</i>	<u>2,559,090</u>	<u>2,559,090</u>	<u>0</u>	<u>(320,513)</u>	<u>(203,687)</u>	<u>116,826</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,650,555)</u>	<u>(1,781,851)</u>	<u>868,704</u>
<i>Fund Balances Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,564,257</u>	<u>7,564,257</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>266,149</u>	<u>266,149</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,179,851</u>	<u>\$6,048,555</u>	<u>\$868,704</u>

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Knox County Career Center  
 Combined Statement of Revenues, Expenses, and Changes in  
 Retained Earnings/Fund Balance - All Proprietary  
 Fund Types and Non-Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 2003

	Enterprise	Internal Service	Non-Expendable (Memorandum Trust	Totals (Memorandum Only)
<b>Operating Revenues</b>				
Sales	\$229,063	\$0	\$0	\$229,063
Tuition	647,153	0	0	647,153
Charges for Services	0	49,693	0	49,693
Other	5,139	0	0	5,139
<i>Total Operating Revenues</i>	<u>881,355</u>	<u>49,693</u>	<u>0</u>	<u>931,048</u>
<b>Operating Expenses</b>				
Salaries and Wages	699,044	0	0	699,044
Fringe Benefits	200,494	0	0	200,494
Purchased Services	54,193	4,826	0	59,019
Materials and Supplies	165,354	0	0	165,354
Cost of Sales	86,941	0	0	86,941
Claims	0	42,444	0	42,444
Other	4,813	0	142	4,955
Depreciation	6,507	0	0	6,507
<i>Total Operating Expenses</i>	<u>1,217,346</u>	<u>47,270</u>	<u>142</u>	<u>1,264,758</u>
<i>Operating Income (Loss)</i>	<u>(335,991)</u>	<u>2,423</u>	<u>(142)</u>	<u>(333,710)</u>
<b>Non-Operating Revenues</b>				
Donated Commodities	6,426	0	0	6,426
Interest	154	0	225	379
Operating Grants	237,723	0	0	237,723
<i>Total Non-Operating Revenues</i>	<u>244,303</u>	<u>0</u>	<u>225</u>	<u>244,528</u>
<i>Income (Loss) Before Operating Transfers</i>	(91,688)	2,423	83	(89,182)
Operating Transfers In	205,000	0	0	205,000
<i>Net Income</i>	113,312	2,423	83	115,818
<i>Retained Earnings/Fund Balance Beginning of Year</i>	<u>67,160</u>	<u>2,313</u>	<u>13,817</u>	<u>83,290</u>
<i>Retained Earnings/Fund Balance End of Year</i>	<u>\$180,472</u>	<u>\$4,736</u>	<u>\$13,900</u>	<u>\$199,108</u>

See accompanying notes to the general purpose financial statements

Knox County Career Center  
 Combined Statement of Revenues, Expenses, and Changes in Fund Equity  
 Budget (Non-GAAP) Basis - All Proprietary Fund Types and Non-Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 2003

	Enterprise			Internal Service		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Sales	\$220,450	\$232,309	\$11,859	\$0	\$0	\$0
Tuition	584,127	642,777	58,650	0	0	0
Charges for Services	0	0	0	48,000	49,693	1,693
Interest	100	154	54	0	0	0
Operating Grants	234,373	237,917	3,544	0	0	0
Other	4,000	5,139	1,139	0	0	0
<i>Total Revenues</i>	1,043,050	1,118,296	75,246	48,000	49,693	1,693
<b>Expenses</b>						
Salaries and Wages	712,991	684,620	28,371	0	0	0
Fringe Benefits	209,891	197,011	12,880	0	0	0
Purchased Services	86,924	80,166	6,758	5,300	4,826	474
Materials and Supplies	267,477	249,261	18,216	0	0	0
Claims	0	0	0	51,844	47,304	4,540
Capital Outlay	30,852	29,735	1,117	0	0	0
Other	5,807	4,757	1,050	0	0	0
<i>Total Expenses</i>	1,313,942	1,245,550	68,392	57,144	52,130	5,014
<i>Excess of Revenues Over (Under) Expenses</i>	(270,892)	(127,254)	143,638	(9,144)	(2,437)	6,707
Operating Transfers In	205,700	205,000	(700)	0	0	0
Advances Out	(153,000)	(153,000)	0	0	0	0
Advances In	153,000	153,000	0	0	0	0
<i>Excess of Revenues and Operating Transfers In and Advances In Over (Under) Expenses and Advances Out</i>	(65,192)	77,746	142,938	(9,144)	(2,437)	6,707
<i>Fund Equity Beginning of Year</i>	74,162	74,162	0	9,144	9,144	0
Prior Year Encumbrances Appropriated	18,266	18,266	0	0	0	0
<i>Fund Equity End of Year</i>	\$27,236	\$170,174	\$142,938	\$0	\$6,707	\$6,707

See accompanying notes to the general purpose financial statements

Knox County Career Center  
 Combined Statement of Revenues, Expenses, and Changes in Fund Equity  
 Budget (Non-GAAP) Basis - All Proprietary Fund Types and Non-Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 2003

Non-Expendable Trust			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$220,450	\$232,309	\$11,859
0	0	0	584,127	642,777	58,650
0	0	0	48,000	49,693	1,693
670	225	(445)	770	379	(391)
0	0	0	234,373	237,917	3,544
0	0	0	4,000	5,139	1,139
670	225	(445)	1,091,720	1,168,214	76,494
0	0	0	712,991	684,620	28,371
0	0	0	209,891	197,011	12,880
0	0	0	92,224	84,992	7,232
200	0	200	267,677	249,261	18,416
0	0	0	51,844	47,304	4,540
0	0	0	30,852	29,735	1,117
470	142	328	6,277	4,899	1,378
670	142	528	1,371,756	1,297,822	73,934
0	83	83	(280,036)	(129,608)	150,428
0	0	0	205,700	205,000	(700)
0	0	0	(153,000)	(153,000)	0
0	0	0	153,000	153,000	0
0	83	83	(74,336)	75,392	149,728
13,817	13,817	0	97,123	97,123	0
0	0	0	18,266	18,266	0
<u>\$13,817</u>	<u>\$13,900</u>	<u>\$83</u>	<u>\$41,053</u>	<u>\$190,781</u>	<u>\$149,728</u>

Knox County Career Center  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Non-Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 2003 (Continued)

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$875,086	\$0	\$0	\$875,086
Cash Received from Quasi-External				
Operating Transactions with Other Funds	0	49,693	0	49,693
Cash Received from Other Operating Sources	5,139	0	0	5,139
Cash Payments for Goods and Services	(305,600)	(4,826)	0	(310,426)
Cash Payments to Employees for Services and Benefits	(881,631)	0	0	(881,631)
Cash Payments for Claims	0	(47,304)	0	(47,304)
Cash Payments for Other Operating Expenses	(4,757)	0	(142)	(4,899)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(311,763)</u>	<u>(2,437)</u>	<u>(142)</u>	<u>(314,342)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Grants Received	237,723	0	0	237,723
Operating Transfers In	205,000	0	0	205,000
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>442,723</u>	<u>0</u>	<u>0</u>	<u>442,723</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Capital Acquisitions	(29,735)	0	0	(29,735)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(29,735)</u>	<u>0</u>	<u>0</u>	<u>(29,735)</u>
<b>Cash Flows from Investing Activities</b>				
Interest on Investments	154	0	225	379
<i>Net Cash Provided by Investing Activities</i>	<u>154</u>	<u>0</u>	<u>225</u>	<u>379</u>
Net Increase (Decrease) in Cash and Cash Equivalents	101,379	(2,437)	83	99,025
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>92,621</u>	<u>9,144</u>	<u>13,817</u>	<u>115,582</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$194,000</u>	<u>\$6,707</u>	<u>\$13,900</u>	<u>\$214,607</u>

(Continued)

Knox County Career Center  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Non-Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 2003 (Continued)

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
<b>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities</b>				
<i>Operating Income (Loss)</i>	(\$335,991)	\$2,423	(\$142)	(\$333,710)
<i>Adjustments:</i>				
Depreciation Expense	6,507	0	0	6,507
Donated Commodities Received During the Year	6,847	0	0	6,847
<i>(Increase) Decrease in Assets:</i>				
Accounts Receivable	(1,130)	0	0	(1,130)
Inventory Held for Resale	754	0	0	754
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	(6,657)	0	0	(6,657)
Accrued Wages Payable	12,376	0	0	12,376
Compensated Absences Payable	2,048	0	0	2,048
Intergovernmental Payable	3,483	0	0	3,483
Claims Payable	0	(4,860)	0	(4,860)
Total Adjustments	24,228	(4,860)	0	19,368
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$311,763)</u>	<u>(\$2,437)</u>	<u>(\$142)</u>	<u>(\$314,342)</u>

**Reconciliation of Cash and Cash Equivalents to the Balance Sheet**

Trust and Agency	\$48,909
Less: Agency Funds	<u>(35,009)</u>
Non-Expendable Trust Fund	<u>\$13,900</u>

**Non-Cash Noncapital Financing Activities**

Federal donated commodities in the amount of \$6,426 were recorded as revenue when received in the food service enterprise fund

See accompanying notes to the general purpose financial statements

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 1 - Description of the School District and Reporting Entity**

The first official body designated as the Knox County Career Center Board of Education was formed in 1966. Knox County Career Center ("School District") is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the right and privileges conveyed to it by the constitution and laws of the State of Ohio. A vocational school exposes students to job training leading to employment upon graduation from high school. The School District includes six member school districts spread throughout Coshocton, Delaware, Holmes, Knox, Licking, Morrow and Richland counties.

The School District is a jointly governed organization operating under a seven member board: three members are appointed by the Knox County Educational Service Center Board, three by the City of Mount Vernon School Board, and one by the Richland County Educational Service Center Board. The School District provides educational services as authorized and mandated by State or federal agencies.

*Reporting Entity*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District participates in two organizations, the Tri-Rivers Educational Computer Association, a jointly governed organization and the Ohio School Plan, an insurance purchasing pool. See Note 16 and 17.

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

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

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

***A. Basis Of Presentation - Fund Accounting (Continued)***

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

*Governmental Fund Types*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

*Capital Projects Fund* - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

*Proprietary Fund Types*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. Following are the School District's proprietary fund types:

*Enterprise Funds* - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Proprietary Fund Types (Continued)*

*Internal Service Fund* - The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

***A. Basis Of Presentation - Fund Accounting (Continued)***

*Fiduciary Fund Type*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The School District has non-expendable trust and agency funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Account Groups*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

***B. Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund types and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds and non-expendable trust fund.

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



**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

***B. Measurement Focus and Basis of Accounting (Continued)***

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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, tuition, grants, student fees and rentals.

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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before 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.

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.

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

***C. Budgetary Process***

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 legal level of budgetary control has been established by the Board of Education at the fund/special cost center level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

***Tax Budget***

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education 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 Knox County Budget Commission for rate determination.

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

***C. Budgetary Process (Continued)***

*Estimated Resources*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

*Appropriations*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund/special cost center, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations, and do not exceed the certificate of estimated resources that was in effect at the time the final appropriations were passed. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

*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. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations*

At the close of each fiscal 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 are not reappropriated.

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

***D. Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. During fiscal year 2003, investments were limited to STAR Ohio and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$135,806 which includes \$30,002 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

***E. Interfund Assets/Liabilities***

Short-term interfund loans are classified as "interfund receivables" and "interfund payables." Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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.

***G. Inventory***

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

***H. Fixed Assets and Depreciation***

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Enterprise fixed assets are depreciated on a straight-line basis over the following estimated useful lives:

Description	Enterprise
Furniture and Equipment:	10 years

***I. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes employees who are eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after fourteen years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, special termination benefits and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments for these obligations made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. The energy conservation bonds are reported as a liability of the general long-term obligations account group until due.

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

***J. Accrued Liabilities and Long-Term Obligations (Continued)***

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

***K. Interfund Transactions***

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

***L. Fund Balance Reserves***

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for endowments signifies legal restrictions on the use of principal in the nonexpendable trust funds.

***M. Contributed Capital***

Contributed capital represents resources from other funds, other governments and private sources provided to proprietary funds that is not subject to repayment. The School District does not have any contributed capital.

***N. Estimates***

The preparation of the 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.

***O. Total Columns on General Purpose Financial Statements***

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 3 - Fund Deficits**

The following funds had a deficit fund balance at June 30, 2003:

	<b>Deficit Fund Balance</b>
Special Revenue Funds:	
Preschool Grant Fund	\$11,814
Education Management Information System Fund	53
Adult Basic Literacy Grant Fund	377
Career Development Grant Fund	9,928

The deficits in the special revenue funds resulted from the recognition of liabilities in accordance with generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

**Note 4 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, All Proprietary Fund Types and Non-Expendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP 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 basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	\$ (2,293,263)	\$ (23,823)	\$ 985,273
Net Adjustments for Revenue Accruals	682,157	(4,100)	0
Advances In	206,013	81,935	0
Net Adjustments for Expenditure Accruals	14,383	3,886	376,379
Advances Out	(234,935)	(53,013)	0
Adjustments for Encumbrances	<u>(134,896)</u>	<u>(26,195)</u>	<u>(1,361,652)</u>
Budget Basis	<u>\$ (1,760,541)</u>	<u>\$(21,310)</u>	<u>\$ 0</u>

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 4 - Budgetary Basis of Accounting**

Net Income/Excess of Revenues and Operating Transfers In and Advances In  
Over (Under) Expenses and Advances Out  
Proprietary Fund Types and Non-Expendable Trust Fund

	Enterprise	Internal Service	Non-Expendable Trust
GAAP Basis	\$ 113,312	\$ 2,423	\$ 83
Net Adjustments for Revenue Accruals	(936)	0	0
Advances In	153,000	0	0
Net Adjustments for Expense Accruals	12,424	(4,860)	0
Advances Out	(153,000)	0	0
Capital Outlay	(29,735)	0	0
Depreciation Expense	6,507	0	0
Adjustments for Encumbrances	(23,826)	0	0
Budget Basis	<u>\$ 77,746</u>	<u>\$ (2,437)</u>	<u>\$ 83</u>

**Note 5 - Deposits and Investments**

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

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

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

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

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

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

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 5 - Deposits and Investments (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

*Deposits:* At year-end, the carrying amount of the School District's deposits was \$2,633,455 and the bank balance was \$2,909,257. \$307,250 of the bank balance was covered by federal depository insurance. \$2,602,007 was uninsured and uncollateralized. All State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

*Cash on Hand:* At year end, the School District had \$550 in undeposited cash on hand which is included on the balance sheet of the School District as part of Cash and Cash Equivalents.

*Investments:* The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The School District's investment in STAR Ohio at June 30, 2003, had a fair market value of \$5,186,908.



**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
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**Note 5 - Deposits and Investments (Continued)**

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, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash	
	Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 7,820,913	\$0
Investments which are part of a cash management pool:		
Investment in State Treasurer's Investment Pool	(5,186,908)	5,186,908
Cash on Hand	(550)	0
GASB Statement No. 3	\$ 2,633,455	\$ 5,186,908

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002, and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Knox, Coshocton, Delaware, Holmes, Licking, Morrow, and Richland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 6 - Property Taxes (Continued)**

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$413,032 in the general fund. The amount available as an advance at June 30, 2002, was \$1,060,842 in the general fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second - Half Collections		2003 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$705,823,220	73.74%	\$800,771,640	73.74%
Commercial and Industrial	98,808,970	10.32	117,533,380	10.82
Public Utility Personal	49,012,572	5.12	50,625,515	4.66
Tangible Personal Property	103,535,497	10.82	117,086,991	10.78
Total Assessed Values	<u>\$957,180,259</u>	<u>100.00%</u>	<u>\$1,086,017,526</u>	<u>100.00%</u>

Tax rate per \$1,000 of assessed valuation	\$6.40	\$6.40
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**Note 7 - Receivables**

Receivables at June 30, 2003, consisted of taxes, accounts (customer services, insurance premiums and student fees) and intergovernmental grants. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
<i>Special Revenue Funds</i>	
Adult Education Vocation Education Planning District Grant	\$5,574
Vocational Education Planning District Grant	22,218
Adult Basic Literacy Grant	25,594
Career Development Grant	3,842
Enrichment Grant	<u>2,500</u>
Total Special Revenue Funds	<u>\$59,728</u>

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 8 - Fixed Assets**

A summary of the enterprise funds' fixed assets at June 30, 2003 follows:

Furniture and Equipment	\$156,090
Less accumulated depreciation	95,079
Net Fixed Assets	\$61,011

A summary of the changes in general fixed assets during fiscal year 2003 follows:

	Balance			Balance 6/30/03
	6/30/02	Additions	Deletions	
Land and Improvements	\$40,564	\$0	\$0	\$40,564
Buildings and Improvements	4,247,357	0	0	4,247,357
Furniture and Equipment	1,500,467	185,191	105,384	1,580,274
Vehicles	120,451	44,696	0	165,147
Construction In Progress	0	1,793,132	0	1,793,132
Total	\$5,908,839	\$2,023,019	\$105,384	\$7,826,474

**Note 9 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2003, the School District contracted with Selective Insurance Company for property and fleet insurance. The type and amount of coverage provided by Selective Insurance Company follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
Building and Contents - replacement cost	\$1,000	\$15,351,616
Boiler and Machinery	1,000	15,351,616
Automobile Liability	0	2,000,000

During fiscal year 2003, the School District joined together with other school district in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays its annual premium to the OSP (see Note 17).

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Per Occurrence	\$1,000,000
General Aggregate	3,000,000

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

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 9 - Risk Management (Continued)**

***B. Employee Medical Benefits***

Medical, surgical, dental and vision insurance was offered to all employees through a self insurance internal service fund. The School District was self insured with Medical Benefits serving as the third party administrator through April 30, 2001. As of May 1, 2002, the School District was self-insured for dental and vision insurance only. Changes in the fund's claims liability for the fiscal year 2001, 2002, and 2003 is as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claims Payments	Balance at End of Fiscal Year
2001	82,100	494,493	576,593	0
2002	0	8,722	1,891	6,831
2003	6,831	42,444	47,304	1,971

**Note 10 - Pension Plans**

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

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$68,669, \$47,047, and \$33,422, respectively; 100 percent contributed for fiscal year 2003, 2002, and 2001.

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

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member.

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 10 - Pension Plans (Continued)**

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

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$479,713, \$328,609, and \$203,744, respectively; 100 percent has been contributed for fiscal year 2003, 2002, and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$3,983 made by the School District and \$3,705 made by the plan members.

**Note 11 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For fiscal year 2002, 4.5 percent was the amount used. For the School District this amount equaled \$36,901 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 11 - Postemployment Benefits (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established as \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$65,452.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Note 12 - Other Employee Benefits**

*A. Compensated Absences*

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 265 days. Upon retirement, payment is made for one-third of total sick leave accumulated; to a maximum of 88.33 days. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

*B. Insurance*

The School District provides life insurance and accidental death and dismemberment insurance to contracted employees through Unum Insurance Company. The Board pays the cost of the monthly premium, \$30.75 per employee. The School District provides health insurance to contracted employees through United Healthcare of Ohio. The Board pays the cost of the monthly premium per employee for family coverage of \$832.87 and \$302.86 for single coverage.

**Note 13 - Long-Term Obligations**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

		Outstanding 6/30/02	Additions	Reductions	Outstanding 6/30/03
Energy Conservation Bonds June 15, 1995	5.05% Issued	\$200,000	\$0	\$65,000	\$135,000
Energy Conservation Bonds January 15, 1999	4.87% Issued	269,839	0	17,081	252,758
Compensated Absences		423,467	0	33,218	390,249
Intergovernmental Payable		11,980	7,208	11,980	7,208
<b>Total General Long-Term Obligations</b>		<b>\$905,286</b>	<b>\$7,208</b>	<b>\$127,278</b>	<b>\$785,215</b>

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 13 - Long-Term Obligations (Continued)**

The bonds will be paid from the general fund. Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid.

The School District's overall legal debt margin was \$97,741,577 with an unvoted debt margin of \$1,085,018 at June 30, 2003. Principal and interest requirements to retire the energy conservation bonds outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	82,912	19,147	102,059
2005	88,784	14,972	103,756
2006	19,700	10,522	30,222
2007	20,659	9,562	30,221
2008	21,665	8,557	30,222
2009-2013	125,220	25,891	151,111
2014	28,818	1,403	30,221
Total	\$387,758	\$90,054	\$477,812

**Note 14 - State School Funding Decision**

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

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

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

**Note 15 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**B. Litigation**

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

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 16 - Jointly Governed Organization**

Tri-Rivers Educational Computer Association (TRECA) is a jointly governed organization among 31 public school districts within the boundaries of Delaware, Marion, Morrow, Knox and Wyandot Counties. TRECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. TRECA operates under the direction of a Board consisting of two representatives from each county, elected by a majority vote of all charter member school districts within each county. The continued existence of TRECA is not dependent on the School District's continued participation and no equity interest exists. TRECA has no outstanding debt. To obtain financial information write to: Tri-Rivers Educational Computer Association, Mike Carder, who serves as Director, 2222 Marion-Mount Gilead Road, Marion, Ohio 43302. The School District contributed \$29,080 to TRECA during fiscal year 2003.

**Note 17 – Insurance Purchasing Pool**

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

**Note 18 – Interfund Activity**

As of June 30, 2003, receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	<u>\$60,935</u>	<u>\$0</u>
Special Revenue Funds		
Adult Ed VEPD Grant	0	9,000
Senior Awards	0	280
Adult Basic Literacy Grant	0	25,594
Career Development Grant	0	3,843
VEPD Grant	<u>0</u>	<u>22,218</u>
Total Special Revenue Funds	<u>0</u>	<u>60,935</u>
Total All Funds	<u>\$60,935</u>	<u>\$60,935</u>

**Note 19 - Segment Information for Enterprise Funds**

The School District maintains four enterprise funds to account for the operations of food service, adult education, uniform school supplies and other services. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2003.



**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 19 - Segment Information for Enterprise Funds (Continued)**

	Food Service	Adult Education	Uniform School Supplies	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues	\$118,559	\$652,293	\$22,672	\$87,831	\$881,355
Depreciation	277	6,230	0	0	6,507
Operating Income (Loss)	(49,095)	(314,397)	(6,109)	33,610	(335,991)
Donated Commodities	6,426	0	0	0	6,426
Interest	154	0	0	0	154
Operating Grants	32,046	205,677	0	0	237,723
Operating Transfers In	5,000	200,000	0	0	205,000
Net Income (Loss)	(5,469)	91,280	(6,109)	33,610	113,312
Fixed Assets Additions	0	29,735	0	0	29,735
Net Working Capital	7,056	65,591	5,488	80,128	158,263
Total Assets	13,640	169,103	5,542	85,233	273,518
Long-Term Compensated Absences Payable	0	38,802	0	0	38,802
Total Equity	8,437	86,419	5,488	80,128	180,472
Encumbrances at June 30, 2003	0	23,296	219	311	23,826

**Note 20 - Set-Asides**

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

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

	Textbook/ Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of June 30, 2002	\$0	\$0
Current Year Set-aside Requirement	80,829	80,829
Qualifying Disbursements	(80,829)	(80,829)
Set-aside Balance Carried Forward to Fiscal Years	\$0	\$0
Set-aside Reserve Balance as of June 30, 2003	\$0	\$0

**Knox County Career Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 21 – Contract Commitments**

As of June 30, 2003, the School District had contractual purchase commitments for new building construction and additions as follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/2003</u>
Ben D. Imhoff, Inc.	\$1,522,105	\$814,125	\$707,980
Schmid Plumbing	96,190	54,794	41,396
Universal Refrigeration	352,000	123,305	228,695
S.A. Comunale Co.	41,838	24,762	17,076
Kahl's Electric	340,108	137,538	202,570
Corna Kokosing	112,207	77,600	34,607
Booth Products	<u>57,918</u>	<u>41,811</u>	<u>16,107</u>
Total	<u>\$2,522,366</u>	<u>\$1,273,935</u>	<u>\$1,248,431</u>

Knox County Career Center  
Knox County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2003

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	NA	10.550	\$0	\$6,847	\$0	\$6,847
National School Breakfast Program	05-PU 2003	10.553	6,055	0	6,055	0
National School Lunch Program	LL-P4 2003	10.555	24,643	0	24,643	0
Total United States Department of Agriculture - Nutrition Cluster			30,698	6,847	30,698	6,847
<b>United States Department of Education</b>						
<i>Direct from the Federal Government</i>						
<i>Student Financial Aid Cluster:</i>						
Pell Grant Program	N	84.063	209,596	0	209,596	0
Federal Direct Student Loan	N	84.268	0	230,346	0	230,346
Total Student Financial Aid Cluster			209,596	230,346	209,596	230,346
<i>Passed through the Pioneer Joint Vocational School</i>						
VOCED Basic Grant	NA	84.048	36,861	0	37,009	0
<i>Passed through the Ohio Department of Education</i>						
Adult Education State Grant Program	AB-S1 2003	84.002	25,738	0	53,711	0
VOCED Basic Grant	20-C1 2003	84.048	170,415	0	179,402	0
Safe & Drug Free Schools and Communities	DR-S1 2003	84.186	1,327	0	1,327	0
Eisenhower Professional Development Grant	MS-S1 2002	84.281	0	0	1,527	0
Innovative Education Program Strategy	C2-S1 2003	84.298	3,190	0	3,190	0
Improving Teacher Quality	TR-S1 2003	84.367	3,535	0	3,535	0
Total United States Department of Education			450,662	230,346	489,297	230,346
<b>Total Federal Financial Assistance</b>			<b>\$481,360</b>	<b>\$237,193</b>	<b>\$519,995</b>	<b>\$237,193</b>

NA - Pass Through Entity Number is Not Available

N - Direct from the Federal Government

See Accompanying Notes to the Schedule of Federal Awards Expenditures

**KNOX COUNTY CAREER CENTER  
KNOX COUNTY  
JUNE 30, 2003**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A - - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - - FOOD DISTRIBUTIONS**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

**NOTE C - GUARANTEED STUDENT LOANS**

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

# BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Telephone (740) 289-4131  
Fax (740) 289-3639 Web: www.harscherer.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

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

We have audited the general-purpose financial statements of the Knox County Career Center (the District), Knox County, as of and for the year ended June 30, 2003, and have issued our report thereon dated November 28, 2003. 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.

### Compliance

As part of obtaining reasonable assurance about whether Knox County Career Center's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general-purpose financial statement amounts. However, providing and 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 that is required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Knox County Career Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose 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 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 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.

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

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

Balestra, Harr & Scherer, CPAs, Inc.

November 28, 2003

**BALESTRA, HARR & SCHERER, CPAS, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Telephone (740) 289-4131  
Fax (740) 289-3639 Web: www.harscherer.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

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

Compliance

We have audited the compliance of the Knox County Career Center with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2003. Knox County Career Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Knox County Career Center's management. Our responsibility is to express an opinion on Knox County Career Center's compliance based on our audit.

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

In our opinion, Knox County Career Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

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

Members of the Board  
Knox County Career Center  
Mt. Vernon, Ohio

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

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

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

November 28, 2003

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**KNOX COUNTY CAREER CENTER  
KNOX COUNTY  
JUNE 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

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



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**KNOX COUNTY CAREER CENTER  
KNOX COUNTY  
JUNE 30, 2003**

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

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

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





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**KNOX COUNTY CAREER CENTER**

**KNOX COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 15, 2004**