

**MAHONING COUNTY CAREER & TECHNICAL CENTER**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**





**Auditor of State  
Betty Montgomery**

Board of Education  
Mahoning County Career & Technical Center  
7300 North Palmyra Rd.  
Canfield, OH 44406

We have reviewed the *Independent Auditor's Report* of the Mahoning County Career & Technical Center, Mahoning County, prepared by Varney, Fink & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. 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 Mahoning County Career & Technical Center is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY  
Auditor of State

December 22, 2005

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**MAHONING COUNTY CAREER & TECHNICAL CENTER  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Mahoning County Career & Technical Center  
7300 North Palmyra Road  
Canfield, OH 44406

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mahoning County Career & Technical Center (the Center), as of and for the year ended June 30, 2005, which collectively comprise the Center's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Center, as of June 30, 2005 and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2005 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**INDEPENDENT AUDITOR'S REPORT** (continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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 basic financial statements of the Center's. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 1, 2005

Mahoning County Career & Technical Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

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This discussion and analysis of the Mahoning County Career & Technical Center School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

### Financial Highlights

Key financial highlights for 2005 are as follows:

- The District's assets exceeded its liabilities at June 30, 2005, by \$14,347,888.
- General revenues accounted for \$9,002,169 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,870,471 or 17% of total revenues of \$10,872,640.
- The District had \$10,831,600 in expenses related to governmental activities; only \$1,870,471 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,002,169 were adequate to provide for these programs.
- The General Fund had \$9,302,113 in revenues and \$8,715,560 in expenditures. The General Fund's balance increased by \$524,989.

### Using this Annual Financial Report

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements begin at a summary level then proceed to provide an increasingly detailed look at specific financial activities.

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

### Reporting the District as a Whole

#### Statement of Net Assets and the Statement of Activities

The analysis of the District as a whole begins with the Statement of Net Assets and the Statement of Activities. These statements provide information that will help the reader to determine whether the District is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of

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accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received for paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Changes to our net assets are a direct result of the District's property tax base, facility conditions, required educational programs, student enrollment, and general inflation.

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

#### Reporting the District's Most Significant Funds

##### Fund Financial Statements

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

##### Governmental Funds

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

##### The District as a Whole

As stated previously the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2005 compared to 2004.

Mahoning County Career & Technical Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Current and Other Assets	\$17,545,212	\$17,182,534
Capital Assets	<u>4,293,028</u>	<u>4,467,786</u>
<i>Total Assets</i>	<u>21,838,240</u>	<u>21,650,320</u>
<b>Liabilities</b>		
Current Liabilities	6,509,145	6,441,893
Long-Term Liabilities		
Due within One Year	72,137	250,946
Due in More than One Year	<u>909,070</u>	<u>650,633</u>
<i>Total Liabilities</i>	<u>7,490,352</u>	<u>7,343,472</u>
<b>Net Assets</b>		
Invested in Capital Assets		
Net of Depreciation	4,293,028	4,467,786
Restricted for Capital Outlay	34,977	34,977
Restricted for Other Purposes	317,883	535,646
Unrestricted	<u>9,702,000</u>	<u>9,268,439</u>
<i>Total Net Assets</i>	<u>\$14,347,888</u>	<u>\$14,306,848</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$14,347,888.

At fiscal year-end, capital assets represented 19.7% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of depreciation at June 30, 2005, were \$4,293,028. These capital assets are used to provide services to the students and are not available for future spending.

Table 2 shows the change in net assets for fiscal year ended June 30, 2005 as compared to 2004.

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**Table 2**  
Change in Net Assets  
Governmental Activities

	2005	2004
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services and Sales	\$730,921	\$683,981
Operating Grants and Contributions	1,139,550	1,170,365
<i>Total Program Revenues</i>	<u>1,870,471</u>	<u>1,854,346</u>
<b>General Revenues</b>		
Property and Other Local Taxes	5,616,299	5,607,300
Grants and Entitlements not Restricted to Specific Programs	3,034,638	2,952,946
Investment Earnings	341,212	232,431
Miscellaneous	10,020	15,902
<i>Total General Revenues and Property and Other Local Taxes</i>	<u>9,002,169</u>	<u>8,808,579</u>
<i>Total Revenues</i>	<u>10,872,640</u>	<u>10,662,925</u>
<b>Program Expenses</b>		
Governmental Activities:		
Instruction:		
Regular	1,292,524	1,285,899
Adult/Continuing	616,477	626,273
Vocational	3,660,202	3,571,647
Support Services:		
Pupil	1,163,812	1,277,505
Instructional Staff	1,320,305	1,394,890
Board of Education	51,156	44,939
Administration	662,657	665,625
Fiscal	364,045	340,576
Business	867	514
Operation and Maintenance of Plant	1,139,750	1,109,508
Pupil Transportation	30,467	29,668
Central	289,864	300,358
Operation of Non-Instructional Services	170,367	182,668
Extracurricular Activities	69,107	54,451
<i>Total Governmental Activities</i>	<u>10,831,600</u>	<u>10,884,521</u>
<i>Increase (Decrease) in Net Assets</i>	41,040	(221,596)
Net Assets Beginning of Year	<u>14,306,848</u>	<u>14,528,444</u>
<i>Net Assets End of Year</i>	<u><u>\$14,347,888</u></u>	<u><u>\$14,306,848</u></u>

Governmental Activities

Net assets of the District's governmental activities increased by \$41,040. Total governmental expenses of \$10,831,600 were offset by program revenues of \$1,870,471 and general revenues of \$9,002,169. General revenues supported 83% of the total governmental expenses.

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The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 80% of total governmental revenue.

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

**Table 3**  
Total and Net Cost of Program Services  
Governmental Activities

	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Program Expenses</b>				
Instruction	\$5,569,203	\$4,897,528	\$5,483,819	\$4,781,037
Support Services	5,022,923	3,975,880	5,163,583	4,163,273
Operation of Non-Instructional Services	170,367	20,169	182,668	32,959
Extracurricular Activities	69,107	67,552	54,451	52,906
<i>Total Expenditures</i>	<u>\$10,831,600</u>	<u>\$8,961,129</u>	<u>\$10,884,521</u>	<u>\$9,030,175</u>

The District's Funds

Information regarding the District's major fund and all other governmental funds begins on page 11. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,991,398 to offset expenditures of \$10,577,214.

General Fund Budgeting Highlights

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

During the course of fiscal year 2005, the District did not require any amendments to its original general fund appropriations. The District budget is adopted on a fund basis and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

For the general fund, actual revenue totaled \$194,793 more than original estimates. The majority of this increase is attributable to an increase in open enrollment and foundation. Actual expenditures totaled \$355,344 less than original appropriations. The majority of this difference was due to lower than expected maintenance, utilities, and supply expenses.

Capital Assets

At the end of fiscal year 2005, the District had \$4,293,028 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004.

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Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

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

	<u>2005</u>	<u>2004</u>
Land	\$125,000	\$125,000
Land Improvements	9,625	9,969
Buildings and Improvements	2,321,441	2,500,645
Furniture and Equipment	1,695,889	1,629,320
Vehicles	<u>141,073</u>	<u>202,852</u>
<i>Total</i>	<u>\$4,293,028</u>	<u>\$4,467,786</u>

All capital assets, except land, are reported net of depreciation. Changes in capital assets from the prior year resulted from additions, deletions, and depreciation. For more information about the District's capital assets, see Note 9 to the basic financial statements.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Jane Rich, Treasurer, Mahoning County Career & Technical Center, 7300 North Palmyra Road, Canfield, Ohio 44406 or email at [mjvs\\_jr@access-k12.org](mailto:mjvs_jr@access-k12.org).

**Mahoning County Career & Technical Center**  
*Statement of Net Assets*  
*June 30, 2005*

	<u>Governmental</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS:</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 7,835,582	\$ 7,835,582
Cash and Cash Equivalents with Fiscal Agents	3,283,261	3,283,261
Inventory Held for Resale	14,981	14,981
Materials and Supplies Inventory	17,711	17,711
Accrued Interest Receivable	8,019	8,019
Accounts Receivable	25,926	25,926
Intergovernmental Receivable	2,858	2,858
Taxes Receivable	6,356,874	6,356,874
Noncurrent Assets:		
Non-Depreciable Capital Assets	125,000	125,000
Depreciable Capital Assets, net	4,168,028	4,168,028
<i>Total Assets</i>	<u>21,838,240</u>	<u>21,838,240</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	22,957	22,957
Accrued Wages and Benefits	486,554	486,554
Intergovernmental Payable	125,154	125,154
Deferred Revenue	5,846,405	5,846,405
Unearned Revenue	1,708	1,708
Compensated Absences Payable	26,367	26,367
Noncurrent Liabilities:		
Long-Term Liabilities:		
Due Within One Year	72,137	72,137
Due in More Than One Year	909,070	909,070
<i>Total Liabilities</i>	<u>7,490,352</u>	<u>7,490,352</u>
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt	4,293,028	4,293,028
Restricted for Capital Projects	34,977	34,977
Restricted for Other Purposes	317,883	317,883
Unrestricted	9,702,000	9,702,000
<i>Total Net Assets</i>	<u>\$ 14,347,888</u>	<u>\$ 14,347,888</u>

See accompanying Notes to the Basic Financial Statements

**Mahoning County Career & Technical Center**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2005

	<u>Program Revenues</u>			<u>Net(Expense)Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental Activities:					
Instruction:					
Regular	\$ 1,292,524	\$ 28,193	\$ 3,222	\$ (1,261,109)	\$ (1,261,109)
Vocational	3,660,202	105,301	23,927	(3,530,974)	(3,530,974)
Adult/Continuing	616,477	261,505	249,527	(105,445)	(105,445)
Support Services:					
Pupils	1,163,812	19,244	275,715	(868,853)	(868,853)
Instructional Staff	1,320,305	109,720	260,964	(949,621)	(949,621)
Board of Education	51,156	1,142	21	(49,993)	(49,993)
Administration	662,657	82,731	58,835	(521,091)	(521,091)
Fiscal	364,045	7,879	147	(356,019)	(356,019)
Business	867	20		(847)	(847)
Operation and Maintenance of Plant	1,139,750	31,502	3,228	(1,105,020)	(1,105,020)
Pupil Transportation	30,467	538	10	(29,919)	(29,919)
Central	289,864	2,186	193,161	(94,517)	(94,517)
Operation of Non-Instructional Services	170,367	79,433	70,765	(20,169)	(20,169)
Extracurricular Activities	69,107	1,527	28	(67,552)	(67,552)
<i>Total Governmental Activities</i>	<u>10,831,600</u>	<u>730,921</u>	<u>1,139,550</u>	<u>(8,961,129)</u>	<u>(8,961,129)</u>
Totals					
<i>Totals</i>	<u>\$ 10,831,600</u>	<u>\$ 730,921</u>	<u>\$ 1,139,550</u>	<u>(8,961,129)</u>	<u>(8,961,129)</u>
General Revenues:					
Property and Other Local Taxes				5,616,299	5,616,299
Grants and Entitlements not Restricted to Specific Programs				3,034,638	3,034,638
Investment Earnings				341,212	341,212
Miscellaneous				10,020	10,020
<i>Total General Revenues</i>				<u>9,002,169</u>	<u>9,002,169</u>
<i>Change in Net Assets</i>				41,040	41,040
<i>Net Assets Beginning of Year</i>				<u>14,306,848</u>	<u>14,306,848</u>
<i>Net Assets End of Year</i>				<u>\$ 14,347,888</u>	<u>\$ 14,347,888</u>

See accompanying Notes to the Basic Financial Statements

**Mahoning County Career & Technical Center**

*Balance Sheet*

*Governmental Funds*

*June 30, 2005*

	<u>GENERAL</u> <u>FUND</u>	<u>All Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 7,242,070	\$ 593,512	\$ 7,835,582
Cash and Cash Equivalents with Fiscal Agents	3,283,261		3,283,261
Inventory Held for Resale		14,981	14,981
Materials and Supplies Inventory	16,720	991	17,711
Accrued Interest Receivable	8,019		8,019
Accounts Receivable	8,556	17,370	25,926
Intergovernmental Receivable		2,858	2,858
Taxes Receivable	6,356,874		6,356,874
	<u>6,356,874</u>	<u>2,858</u>	<u>6,356,874</u>
<i>Total Assets</i>	<u>\$ 16,915,500</u>	<u>\$ 629,712</u>	<u>\$ 17,545,212</u>
<b>LIABILITIES:</b>			
Accounts Payable	22,592	365	22,957
Accrued Wages and Benefits	435,291	51,263	486,554
Intergovernmental Payable	108,962	16,192	125,154
Deferred Revenue	6,352,972		6,352,972
Unearned Revenue		1,708	1,708
Compensated Absences Payable	26,367		26,367
	<u>26,367</u>	<u>1,708</u>	<u>26,367</u>
<i>Total Liabilities</i>	<u>6,946,184</u>	<u>69,528</u>	<u>7,015,712</u>
<b>Equity:</b>			
<b>FUND BALANCES:</b>			
<b>Reserved:</b>			
Reserved for Encumbrances	199,234	928	200,162
Reserved for Inventory	14,067		14,067
Reserved for Property Taxes	3,595		3,595
<b>Unreserved, Undesignated, Reported in:</b>			
General Fund	9,752,420		9,752,420
Special Revenue Funds		559,256	559,256
	<u>9,752,420</u>	<u>559,256</u>	<u>9,752,420</u>
<i>Total Fund Balances</i>	<u>9,969,316</u>	<u>560,184</u>	<u>10,529,500</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 16,915,500</u>	<u>\$ 629,712</u>	<u>\$ 17,545,212</u>

See accompanying Notes to the Basic Financial Statements

**Mahoning County Career & Technical Center**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2005*

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<b>Total Governmental Funds Balances</b>	\$10,529,500
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Land	125,000
Land Improvements (Net of depreciation)	9,625
Buildings/Improvements (Net of depreciation)	2,321,441
Furniture and Equipment (Net of depreciation)	1,695,889
Vehicles (Net of depreciation)	141,073
Total	4,293,028
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:	
Property taxes	506,567
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(965,405)
Pension Obligation	(15,802)
Total	<u>(981,207)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$14,347,888</u></u>

See accompanying Notes to the Basic Financial Statements

**Mahoning County Career & Technical Center**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

	<u>GENERAL</u> <u>FUND</u>	<u>All Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES:</b>			
Property and Other Local Taxes	\$ 5,735,057		\$ 5,735,057
Intergovernmental	3,034,638	1,136,059	4,170,697
Interest	340,275	937	341,212
Tuition and Fees	161,319	463,749	625,068
Gifts and Donations	3,491		3,491
Customer Sales and Services	26,155	79,698	105,853
Miscellaneous	1,178	8,842	10,020
<i>Total Revenues</i>	<u>9,302,113</u>	<u>1,689,285</u>	<u>10,991,398</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	1,290,555	2,697	1,293,252
Vocational	3,164,626	65,337	3,229,963
Adult/Continuing		603,124	603,124
<b>Support Services:</b>			
Pupils	892,065	275,017	1,167,082
Instructional Staff	919,502	376,063	1,295,565
Board of Education	51,156		51,156
Administration	489,540	171,464	661,004
Fiscal	356,490		356,490
Business	867		867
Operation and Maintenance of Plant	1,093,617	11,833	1,105,450
Pupil Transportation	23,288	628	23,916
Central	97,771	192,093	289,864
Operation of Non-Instructional Services	353	160,712	161,065
<b>Operation of Non-Instructional Services:</b>			
Food Service Operations		1,933	1,933
Extracurricular Activities	70,483	753	71,236
Capital Outlay	265,247		265,247
<i>Total Expenditures</i>	<u>8,715,560</u>	<u>1,861,654</u>	<u>10,577,214</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>586,553</u>	<u>(172,369)</u>	<u>414,184</u>
<b>OTHER FINANCING SOURCES AND USES:</b>			
Transfers In		61,564	61,564
Transfers Out	(61,564)		(61,564)
<i>Total Other Financing Sources and Uses</i>	<u>(61,564)</u>	<u>61,564</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	524,989	(110,805)	414,184
<i>Fund Balance (Deficit) at Beginning of Year - Restated</i>	<u>9,444,327</u>	<u>670,989</u>	<u>10,115,316</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 9,969,316</u>	<u>\$ 560,184</u>	<u>\$ 10,529,500</u>

See accompanying Notes to the Basic Financial Statements

**Mahoning County Career & Technical Center**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2005*

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**Net Change in Fund Balances - Total Governmental Funds** **\$414,184**

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

Governmental funds report capital outlays as expenditures.

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

Capital Outlay	639,457	
Depreciation Expense	(814,215)	
Total		(174,758)

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

Property Taxes		(118,758)
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Some expenses reported in the statement of activities, such as compensated absences and pension obligation do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(78,136)	
Pension Obligation	<u>(1,492)</u>	
Total		<u>(79,628)</u>

*Change in Net Assets of Governmental Activities* \$41,040

See accompanying Notes to the Basic Financial Statements

**Mahoning County Career & Technical Center**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
**GENERAL FUND**  
*For the Fiscal Year Ended June 30, 2005*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 5,750,000	\$ 5,750,000	\$ 5,734,856	\$ (15,144)
Intergovernmental	2,931,734	2,931,734	3,034,331	102,597
Interest	288,500	288,528	332,835	44,307
Tuition and Fees	100,525	100,525	166,116	65,591
Gifts and Donations	2,250	2,250	3,491	1,241
Customer Sales and Services	29,000	29,000	26,333	(2,667)
Miscellaneous	2,100	2,100	968	(1,132)
<b>Total Revenues</b>	<u>9,104,109</u>	<u>9,104,137</u>	<u>9,298,930</u>	<u>194,793</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	1,281,234	1,281,234	1,281,549	(315)
Vocational	3,220,853	3,220,853	3,119,360	101,493
<b>Support Services:</b>				
Pupils	870,427	870,427	919,917	(49,490)
Instructional Staff	1,182,913	1,182,913	1,105,048	77,865
Board of Education	61,482	61,482	51,744	9,738
Administration	488,865	488,865	498,703	(9,838)
Fiscal	360,695	360,695	360,091	604
Business	1,635	1,635	867	768
Operation and Maintenance of Plant	1,248,019	1,248,019	1,144,451	103,568
Pupil Transportation	28,861	28,861	23,397	5,464
Central	163,470	163,470	104,150	59,320
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	2,000	2,000	353	1,647
<b>Extracurricular Activities:</b>				
Occupation Oriented Activities	66,909	66,909	69,615	(2,706)
School and Public Service Co-Curricular Activities	1,735	1,735	1,566	169
<b>Capital Outlay:</b>				
Site Improvement Services	5,000	5,000	1,123	3,877
Building Improvement Services	327,693	327,693	274,513	53,180
<b>Total Expenditures</b>	<u>9,311,791</u>	<u>9,311,791</u>	<u>8,956,447</u>	<u>355,344</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(207,682)</u>	<u>(207,654)</u>	<u>342,483</u>	<u>550,137</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Proceeds from Sale of Capital Assets	500	500	0	(500)
Advances In	3,819	3,819	3,819	0
Transfers Out	(60,000)	(60,000)	(61,564)	(1,564)
Refund of Prior Year Receipts	0	(4,358)	(4,279)	79
<b>Total Other Financing Sources and Uses</b>	<u>(55,681)</u>	<u>(60,039)</u>	<u>(62,024)</u>	<u>(1,985)</u>
<b>Net Change in Fund Balances</b>	(263,363)	(267,693)	280,459	548,152
<b>Fund Balance (Deficit) at Beginning of Year - Restated</b>	9,581,319	9,581,319	9,581,319	0
<b>Prior Year Encumbrances Appropriated</b>	478,393	478,393	478,393	0
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 9,796,349</u>	<u>\$ 9,792,019</u>	<u>\$ 10,340,171</u>	<u>\$ 548,152</u>

See accompanying Notes to the Basic Financial Statements

**Mahoning County Career & Technical Center**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Fund*  
*June 30, 2005*

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	<u>Agency Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 21,699
<i>Total Current Assets</i>	<u>21,699</u>
<i>Total Assets</i>	<u>21,699</u>
LIABILITIES:	
Current Liabilities:	
Due to Students	21,699
<i>Total Current Liabilities</i>	<u>21,699</u>
<i>Total Liabilities</i>	<u>21,699</u>

See accompanying Notes to the Basic Financial Statements

Mahoning County Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Mahoning County Career & Technical 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 rights 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 thirteen member schools spread throughout Mahoning, Trumbull, Columbiana and Portage Counties.

The School District operates under a seven-member Board of Education and is responsible for the provision of public education to residents of the School District. The Board consists of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school districts, and one representative from each of the two city school districts, Struthers and Campbell. The Mahoning County Educational Service Center Governing Board cannot directly impose their will on the School District; therefore, the School District is a related organization of the Mahoning County Educational Service Center.

**A. Reporting Entity**

The reporting entity is composed of the stand-alone government, component units and other organizations that are included to ensure that the financial statements are not misleading. The stand-alone government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District this includes the agencies and departments that provide the following services: general operations, food service, adult education 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 organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the 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 has no component units.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

City of Canfield - The city government is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional city services. Council acts as the taxing and budgeting authority for these city services.

Mahoning County Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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Member School Districts - The School District accepts non-tuition students from each of the thirteen member school districts. Each of the member school districts are considered separate political subdivisions and are not considered to be part of the School District.

Canfield Branch of the Mahoning County Public Library - The library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. The School District does not serve as the taxing authority for the library.

The School District participates in certain organizations which are defined as jointly governed organizations and as public entity risk pools. The jointly governed organizations are presented in Note 14 to the combined financial statements and the public entity risk pools are presented in Note 17. These organizations are:

Area Cooperative Computerized Educational Service System/ACCESS Council  
MAC Tech Prep Consortium  
Ohio School Boards Association Workers' Compensation Group Rating Program  
Ohio School Plan  
Mahoning County Insurance Consortium

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental 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

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

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison

Mahoning County Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

Fund Financial Statements:

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The School District does not have proprietary funds.

Governmental Funds:

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

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.

Fiduciary Fund Type:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary funds are

Mahoning County Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

C. Measurement Focus

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements:

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

D. Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal values, 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.

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

Mahoning County Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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, interest, tuition, grants, and fees.

Deferred Revenue:

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

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

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

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgetary Data

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

Mahoning County Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

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

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2005, investments were limited to securities issued by the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and the State Treasury Assets Reserve (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

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 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, 2005.

Following Ohio statutes the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$340,275, which includes \$21,710 assigned from other School District funds.

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

G. Inventory

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

Mahoning County Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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H. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	45 years
Furniture and Equipment	3 – 10 years
Vehicles	5 – 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 when earned for all employees with more than one year of service.

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid.

Mahoning County Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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J. Accrued Liabilities and Long-term Obligations

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

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

K. Net Assets

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

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

L. Fund Balance Reserves and Designations

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

M. Interfund Activity

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

N. Estimates

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

Mahoning County Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

**NOTE 3 – RESTATEMENT OF FUND BALANCE**

The District has reevaluated the activity of some of its funds and has reclassified funds to more accurately reflect these activities in accordance with GAAP fund classifications.

The Restatement on the Budgetary Basis is as follows:

<u>Budget Basis</u>	Restatement of Excess (Deficiency) of Revenues And Other Financing Sources Over (Under) Expenditures General Fund
Excess (Deficiency) as Previously Reported	9,574,303
Fund Reclassifications	7,016
Excess (Deficiency) June 30, 2004 – restated	<u>9,581,319</u>

The Restatement on a Fund Basis is as follows:

<u>GAAP Basis</u>	Restatement of Net Change In Fund Balance General Fund	Restatement of Net Change in Fund Net Assets Internal Service Fund
Net Change in Fund Balance as Previously Reported	(61,462)	7,016
Fund Reclassifications	7,016	(7,016)
Net Change in Fund Balance June 30, 2004 – restated	<u>54,446</u>	<u>0</u>

  

	Restatement of Fund Balance General Fund	Restatement of Fund Net Assets Internal Service Fund
Fund Balance June 30, 2004	9,437,311	7,016
Fund Reclassifications	7,016	(7,016)
Fund Balance June 30, 2004 – restated	<u>9,444,327</u>	<u>0</u>

**NOTE 4 - ACCOUNTABILITY**

At June 30, 2005, the Food Service, Vocational Education, and Career Development funds had deficit fund balances of \$3,331, \$20,286, and \$4,286, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the

Mahoning County Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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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 and Actual (Budget Basis), All Governmental Fund Types and Expendable Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis), Internal Service 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 disclosures in the proprietary fund types (GAAP basis).
4. Advances In and Advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund:

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$524,989
Net Adj. Revenue Accruals	636
Net Adj. Expenditure Accruals	(466,993)
Encumbrances (Budget Basis)	<u>221,827</u>
Budget Basis	<u>\$280,459</u>

**NOTE 6 - 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 deposits are public deposits that the School District 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

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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 the 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
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 (STAR Ohio);
7. Certain Banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase 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 interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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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, 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 by GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements.

Deposits. At fiscal year end, the carrying amount of the School District's deposits was \$6,074,471 and the bank balance was \$6,243,614. Of the bank balance \$236,184 was covered by federal depository insurance or in collateral securities in a Federal Reserve pledge account and \$6,007,430 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and 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 Federal Deposit Insurance Corporation.

Investments. As of June 30, 2005, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity (in Years)		
		Less Than 1	1 to 3	4 to 5
Repurchase Agreements	\$407,167	\$407,167		
U.S. Agencies	3,201,606	347,595	2,456,144	397,867
Sky Money Market	45,003	45,003		
STAROhio	1,412,295	1,412,295		

Interest Rate Risk. The School District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. As of June 30, 2005, the School District's investment in Sky Money Market was not rated, STAROhio was rated AAAm, Federal Home Loan Bank was rated A-1, Federal National Mortgage Association and Federal Home Loan Mortgage was rated A-1+.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The underlying securities for the School District's repurchase agreements are held by The Federal Reserve Bank of Cleveland, Ohio, not in the name of the School District.

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Concentration of Credit Risk. The School District places no limit on the amount the School District may invest in any one issuer. More than 5% of the School District's investments are in U.S. agencies (63.2%), Repurchase Agreements (8%), Money Market (.9%), and STAROhio (27.9%).

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$11,140,542	\$0
Investments:		
U.S. Treasury Note	(147,281)	147,281
Federal National Mortgage Association Bond	(668,354)	668,354
Federal Home Loan Bank Bond	(1,552,284)	1,552,284
Federal Home Loan Mortgage Corporation Bond	(833,687)	833,687
Sky Money Market	(45,003)	45,003
Repurchase Agreements	(407,167)	407,167
STAROhio	<u>(1,412,295)</u>	<u>1,412,295</u>
GASB Statement No. 3	<u>\$6,074,471</u>	<u>\$5,066,071</u>

**NOTE 7 - 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 located in the School District. Real property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2001, were levied after April 1, 2004, and are collected in 2005 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.

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Tangible personal property tax revenue received during calendar year 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. 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 Mahoning, Trumbull, Portage, and Columbiana Counties. The Mahoning County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005, 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, 2005, was \$3,595 in the General Fund. The amount available as an advance at June 30, 2004, was \$3,394 in the General Fund.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<u>2004 Second- Half Collections</u>		<u>2005 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$2,805,888,320	88.80%	\$2,868,580,420	88.82%
Public Utility	130,206,860	4.12	136,958,050	4.24
Tangible Personal Property	<u>223,245,900</u>	<u>7.08</u>	<u>224,160,513</u>	<u>6.94</u>
Total Assessed Value	<u>\$3,158,341,080</u>	<u>100.00%</u>	<u>\$3,229,698,983</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$2.10		\$2.10	

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**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2005, consisted of accounts (rent and tuition) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Special Revenue Funds:	
Food Service	1,598
Adult Education	<u>1,260</u>
Total Special Revenue Funds	<u>2,858</u>

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at</u> <u>6/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/05</u>
Governmental Activities:				
Capital Assets, not being depreciated				
Land	<u>\$125,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$125,000</u>
Capital Assets, being depreciated				
Land Improvements	15,447	0	0	15,447
Buildings and Improvements	8,008,025	0	0	8,008,025
Furniture and Equipment	4,652,145	639,457	(11,945)	5,279,657
Vehicles	<u>496,578</u>	<u>0</u>	<u>0</u>	<u>496,578</u>
Total Capital Assets, being depreciated	<u>13,172,195</u>	<u>639,457</u>	<u>(11,945)</u>	<u>13,799,707</u>
Less Accumulated Depreciation:				
Land Improvements	(5,478)	(344)	0	(5,822)
Buildings and Improvements	(5,507,380)	(179,204)	0	(5,686,584)
Furniture and Equipment	(3,022,825)	(572,888)	11,945	(3,583,768)
Vehicles	<u>(293,726)</u>	<u>(61,779)</u>	<u>0</u>	<u>(355,505)</u>
Total Accumulated Depreciation	<u>(8,829,409)</u>	<u>(814,215)*</u>	<u>11,945</u>	<u>(9,631,679)</u>
Total Capital Assets, being depreciated, Net	<u>4,342,786</u>	<u>(174,758)</u>	<u>0</u>	<u>4,168,028</u>
Governmental Activities Capital Assets, Net	<u>\$4,467,786</u>	<u>(\$174,758)</u>	<u>\$0</u>	<u>\$4,293,028</u>

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

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Instruction:	
Regular	\$ 32,372
Vocational	630,651
Adult	24,818
Support Services:	
Pupil	28,726
Instructional Staff	29,358
Administration	9,915
Fiscal Services	6,020
Operation and Maintenance of Plant	40,364
Pupil Transportation	6,391
Operation of Non-Instructional Services	<u>5,600</u>
 Total Depreciation Expense	 <u><u>\$814,215</u></u>

**NOTE 10 - 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. Settled claims have not exceeded insurance coverage in the last three years. During fiscal year 2005, the School District contracted for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage</u>
Coverage provided by Selective Insurance:	
Property/Boiler and Machinery (\$1,000 deductible)	\$35,982,945
Inland Marine (\$1,000 deductible)	2,000,000
Fleet Insurance, single limit (\$500 deductible—comprehensive and collision)	1,000,000
Aircraft (\$1,000 deductible)	270,000
Crime (\$500 deductible)	25,000
Coverage provided by The Ohio School Plan:	
General Liability	
In aggregate	\$3,000,000
Per Occurrence	1,000,000

**B. Workers' Compensation**

For calendar year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for

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the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

For calendar year 2005, the School District is participating in the Premium Discount Program Plus through the Bureau of Workers' Compensation.

C. Employee Medical Benefits

The School District has contracted with the Mahoning County Insurance Consortium to provide employee medical/surgical benefits since 1982. The Mahoning County Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays medical/surgical premiums of \$891.51 for family coverage and \$363.60 for single coverage per employee per month.

Dental and prescription drug insurance are also provided through the Mahoning County Insurance Consortium. Premiums for dental coverage are \$47.60 monthly on a composite basis. Monthly premiums for prescription drug insurance are \$259.08 for family coverage and \$113.67 for single coverage. The plan utilizes a \$5 minimum and \$10 maximum for staff.

Vision coverage is provided through Vision Service Plan. Monthly premiums for vision coverage are \$27.48.

NOTE 11 - 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 system. 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 43215-3746.

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Plan members are required to contribute 10 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 2005, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$167,717, \$101,884, and \$90,507 respectively; 91.67 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**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 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614)227-4090.

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

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

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For the fiscal year ended June 30, 2005, plan members were required to contribute 10 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. 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, 2005, 2004 and 2003 were \$535,026, \$519,680, and \$497,610, respectively; 90.8 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$1,089 made by the School District and \$5,267 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose social security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, two of the board of education members have elected social security. The board's liability is 6.2 percent of wages paid.

NOTE 12 - 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 System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$42,084 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

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For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All Members retiring on or after August 1, 1989, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 100 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2004. 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 2005, the minimum pay has been established as \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$69,081.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$205,930,737 and the target level was \$307.4 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$304.6 million. SERS has approximately 60,000 participants currently receiving health care benefits.

#### NOTE 13 - OTHER EMPLOYEE BENEFITS

##### A. Compensated Absences

The criteria for determining vacation 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.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to two hundred fifty days for classified employees and two hundred fifty five days for certified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of sixty five days for certified employees and fifty days for classified employees. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

##### B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is \$30,000 per classified employee and \$50,000 per certified and administrative employee. Life insurance is provided through the Educators Mutual Insurance Company.

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C. Retirement Incentive

In addition to severance benefits and STRS pension benefits, a maximum of three certified employees who complete thirty years of service and retire will be offered a one-time retirement incentive of \$5,000. The certified employee must notify the Board of his/her intention to retire by February 15, 2004, January 1, 2005, and January 1, 2006, and the employee shall retire before July 1 of the same year. Payment of the benefit will be in a lump sum in July following retirement.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. Area Cooperative Computerized Educational Service System/ACCESS Council

The Area Cooperative Computerized Educational Service System/ACCESS Council (ACCESS), is a consortium of twenty-six school districts in Mahoning and Columbiana Counties. The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts.

ACCESS is governed by the ACCESS Council, a regional council of governments organized under Ohio law, pursuant to a written agreement entered into by the ACCESS Council's members and bylaws adopted by representatives of the members. The ACCESS Council is governed by an elected Board consisting of the superintendents of the educational service centers of each county and two superintendents and a school district treasurer elected by an assembly of representatives of the members voting in caucus by county.

All of ACCESS and the ACCESS Council's revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Council based upon a per pupil charge. The School District paid \$13,388 to ACCESS during fiscal year 2005. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Room 105, Youngstown, Ohio, 44512.

B. MAC Tech Prep Consortium

The MAC Tech Prep Consortium is a cooperative effort between the School District, the thirteen county districts, Youngstown State University and Youngstown City School District to support programs in business, engineering and health technology through business, industry, labor and educational personnel. All of the consortium revenues are from state and federal grants. The consortium is governed by an executive committee consisting of the superintendents of the school districts, the President or designee of Youngstown State University and representatives of business or industry. The committee exercises total control over the operation of the Consortium, including budgeting, appropriating, contracting and designating management.

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The School District does not retain an ongoing financial interest or an ongoing financial responsibility in either of these organizations.

**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during the fiscal year ended June 30, 2005, were as follows:

	Principal Outstanding <u>6/30/04</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/05</u>	Amounts Due In <u>One Year</u>
Intergovernmental Payable	\$33,716	\$15,802	(\$33,716)	\$15,802	\$15,802
Compensated Absences	<u>867,863</u>	<u>155,031</u>	<u>(57,489)</u>	<u>965,405</u>	<u>56,335</u>
Total General Long-Term Obligations	<u>\$901,579</u>	<u>\$170,833</u>	<u>\$91,205</u>	<u>\$981,207</u>	<u>\$72,137</u>

Compensated absences and intergovernmental payables will be paid from the fund from which the person is paid.

**NOTE 16 - CONTINGENCIES**

A. Grants:

The School District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation:

The School District is not currently party to any legal proceedings.

**NOTE 17 - PUBLIC ENTITY RISK POOLS**

A. Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP business and affairs are conducted by a three member Board of directors consisting of the

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President, the President-Elect and the Immediate Past-President of OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program.

B. Ohio School Plan

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

C. Shared Risk Pool

The Mahoning County Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

NOTE 18 – SET-ASIDE CALCULATION

The School District is required by State statute to annually set aside in the General Fund an amount based on statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in restricted 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.

Mahoning County Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

	<u>Textbook/ Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside balance as of June 30, 2004	(\$3,176,089)	\$0
Current year set-aside requirement	86,798	86,798
Qualifying disbursements	<u>(991,060)</u>	<u>(442,261)</u>
Total	<u>(\$4,080,351)</u>	<u>(\$355,463)</u>
Balance carried forward to FY 2005	<u>(\$4,080,351)</u>	<u>\$0</u>
Cash Balance at June 30, 2005	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the amount to below zero for the textbook instructional material set-aside. This extra amount may be used to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduces the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. The negative balance is, therefore, not presented as being carried forward to future years.

**NOTE 19 – SCHOOL FUNDING COURT 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 plan 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.

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

Board of Education  
Mahoning County Career & Technical Center  
7300 North Palmyra Road  
Canfield, OH 44406

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mahoning County Career & Technical Center (the Center), as of and for the year ended June 30, 2005, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)**

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

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 1, 2005

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

Board of Education  
Mahoning County Career & Technical Center  
7300 North Palmyra Road  
Canfield, OH 44406

Compliance

We have audited the compliance of the Mahoning County Career & Technical Center (the Center) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Center's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

In our opinion, the Mahoning County Career & Technical 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, 2005.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*** (continued)

Internal Control Over Compliance

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the 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 the internal control over compliance in accordance with OMB Circular A-133.

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

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

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 1, 2005

**Mahoning County Career and Technical Center  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2005**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass through Entity Identifying Number	Receipts	Disbursements
<b><u>U. S. Department of Agriculture</u></b>				
<i>Passed through Department of Education</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	051243-LLP4-2004	\$7,823	\$7,823
National School Lunch Program	10.555	051243-LLP4-2005	50,619	50,619
Total National School Lunch Program			58,442	58,442
Food Distribution	10.550	---	9,088	9,041
Total U. S. Dept of Agriculture-Child Nutrition Cluster			67,530	67,483
<b><u>U. S. Department of Education</u></b>				
Student Financial Assistance Programs Cluster:				
Federal Pell Grant	84.063	---	42,995	42,995
<i>Passed Through Ohio Department of Education:</i>				
Safe and Drug Free Schools Grant	84.186	051243-DRS1-2005	1,275	1,275
State Grants for Innovative Programs	84.298	051243-C2S1-2005	2,294	2,294
Improving Teacher Quality Grant	84.367	051243-TRS1-2005	2,985	2,985
Adult Education -State Program	84.002	051243-ABS1-2004-C	31,964	31,964
Adult Education -State Program	84.002	051243-ABS1-2004	3,819	3,819
Adult Education -State Program	84.002	051243-ABS1-2005	79,332	79,332
Total Adult Education -State Program			115,115	115,115
Vocational Education-Basic Grants to States	84.048	051243-20C1-2005	449,076	449,076
Vocational Education-Basic Grants to States	84.048	051243-20C2-2005	110,737	110,737
Total Vocational Education Basic Grants to States			559,813	559,813
Total U. S. Department of Education			724,477	724,477
Total Federal Assistance			\$792,007	\$791,960

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

**MAHONING COUNTY CAREER & TECHNICAL CENTER**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Center's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and disbursed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the Center had no significant food commodities in inventory.

**NOTE C – FEDERAL PELL GRANT**

The Pell Grant is recorded as tuition.

**MAHONING COUNTY CAREER & TECHNICAL CENTER**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

(d)(1)(i)	Type of auditor's report issued on the basic financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the basic financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the basic financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the basic financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

**MAHONING COUNTY CAREER & TECHNICAL CENTER**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(CONTINUED)**

(d)(1)(vii)	Major Program:	Vocational Education – Basic Grants to State, CFDA #84.048
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None



**Auditor of State  
Betty Montgomery**

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**MAHONING COUNTY CAREER AND TECHNICAL CENTER  
MAHONING 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  
DECEMBER 30, 2005**