Knox County Career Center

Knox County

Single Audit

July 1, 2004 through June 30, 2005

Fiscal Year Audited Under GAGAS: 2005

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Auditor of State
Betty Montgomery

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

We have reviewed the *Independent Auditor's Report* of the Knox County Career Center, Knox County, prepared by Balestra, Harr & Scherer, CPAs, 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 Knox County Career Center is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 23, 2006

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Knox County Career Center
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For the Fiscal Year Ended June 30, 2005

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Member American Institute of Certified Public Accountants
Member Ohio Society of Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Knox County Career Center (the Center), Knox County, as of and for the year ended June 30, 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Center, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund and adult education fund, thereof 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 January 18, 2006, 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

As described in Note 3 to the basic financial statements, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*.

Balestra, Harr & Scherer, CPAs, Inc.
January 18, 2006

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

Financial Highlights

Key financial highlights for the 2005 fiscal year are as follows:

- Total assets of Knox County Career Center exceeded liabilities at June 30, 2005 by $14,304,102. This balance was comprised of a $6,097,667 balance in capital assets net of related debt, a $171,071 balance in net assets amounts restricted for specific purposes, and $8,035,364 in unrestricted net assets.

- General revenues accounted for $7,632,853 in revenues or 77.82 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for $2,175,025 or 22.18 percent of total revenues.

- Of the $7,632,853 in general revenues, $3,290,786 or 43.11 percent was derived from local tax revenue, $4,045,332 or 53 percent from state revenue and $296,735 or 3.89 percent was derived from interest and other local revenues.

- The Center had $9,070,316 in expenses related to governmental activities. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $7,632,853 were not adequate to provide for these programs. General revenues provided 84.15 percent of the governmental activities expenses.

- The Center's major governmental funds are the General Fund and the Adult Education Fund.

- The General Fund cash balance was $8,206,085 at year-end; up from $7,378,149 at June 30, 2004, an increase of $827,936.

Using this Financial Report

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

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

Reporting the Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether, for the Center as a whole, the *financial position* of the Center has improved or diminished. The causes of this change may be the result of many factors some financial, some not. Non-financial factors include the Center's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, the Center's performance, required educational programs, demographic and socioeconomic factors, the willingness of the community to support the Center and other factors. On the other hand, financial factors may include the Center's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

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

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

Reporting the Center's Most Significant Funds

Fund Financial Statements

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

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

The Center as a Whole

You may recall that the Statement of Net Assets provides the perspective of the Center as a whole. Table 1 provides a comparison of the Center's Net Assets for fiscal year 2005 compared to 2004:

Table 1
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Current and Other Assets	$12,113,932	$11,267,027
Capital Assets, Net	6,313,727	6,233,723
Total Assets	$18,427,659	$17,500,750
Liabilities		
Current Liabilities	$3,500,867	$3,168,558
Long-term Liabilities		
Due within one Year	76,176	229,428
Due in More than one Year	546,514	536,224
Total Liabilities	4,123,557	3,934,210
Net Assets		
Invested in Capital Assets	6,097,667	5,928,877
Restricted for:		
Capital Outlay	0	20,910
Other Purposes	171,071	141,214
Unrestricted	8,035,364	7,475,539
Total Net Assets	$14,304,102	$13,566,540

Total assets of governmental activities increased $926,909. Current Assets were the largest increase due to an increase of cash on hand.

Total liabilities of governmental activities increased $189,347. The Center had an increase in current liabilities due to an increase in deferred revenues resulting from estimated real estate tax collections.

By comparing assets and liabilities, one can see the overall position of the Center has improved as evidenced by the increase in net assets of $737,562.

Table 2 shows the changes in net assets for fiscal year 2005 and 2004.

Table 2
Change in Net Assets
Governmental Activities

	2005	2004
Revenues		
Program Revenues		
Charges for Services	$1,341,868	$1,020,629
Operating Grants and Contributions	833,157	484,869
Total Program Revenues	2,175,025	1,505,498
General Revenues		
Property Taxes	3,290,786	3,939,982
Intergovernmental	4,045,332	4,457,485
Investment Earnings	182,735	53,201
Miscellaneous	114,000	101,230
Total General Revenues	7,632,853	8,551,898
Total Revenues	9,807,878	10,057,396
Program Expenses		
Instruction:		
Regular	175,054	168,002
Vocational	4,147,283	3,765,829
Adult/Continuing	894,404	790,622
Support Services:		
Pupil	571,247	537,026
Instructional Staff	722,969	718,827
Board of Education	12,713	10,965
Administration	827,868	832,930
Fiscal	365,601	328,508
Business	99,558	93,966
Operation and Maintenance of Plant	1,015,251	1,041,180
Central	5,001	11,034
Operation of Non-Instructional Services	169,943	171,113
Extracurricular Activities	43,193	29,345
Interest and Fiscal Charges	20,231	18,414
Total Program Expenses	9,070,316	8,517,761
Change in Net Assets	737,562	1,539,635
Net Assets Beginning of Year	13,566,540	12,026,905
Net Assets End of Year	$14,304,102	$13,566,540

Governmental Activities

Net assets of the Center's governmental activities increased by $737,562 in fiscal year 2005. Program revenues of $2,175,025 and general revenues of $7,632,853 offset total governmental expenses of $9,070,316. Program revenues supported 24 percent of the total governmental expenses.

The primary sources of revenue for the Center are derived from property taxes and state foundation payments. These two revenue sources represent 74.8 percent of the total revenue. Property taxes, alone, represent 33.6 percent of revenues. The remaining 25.2 percent of revenue is from program revenues, interest and miscellaneous local sources.

A state law, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property. Increases in valuation prompt corresponding annual reductions in the "effective millage," the tax rates applied to real property. The Center operates on voted millage of 6.4 mills. The reduced or effective millage in fiscal year 2005 was 2.812766 mills for Residential/Agricultural property and 4.346354 mills for other property. The following table illustrates the rate of growth in property values in the past ten years which has positively impacted the Center:

Year Ending	Total Valuation	Growth Rate
2005	$1,127,776,599	2.01%
2004	1,105,520,322	1.80%
2003	1,086,017,526	13.46%
2002	957,180,259	-1.73%
2001	974,052,771	4.90%
2000	928,549,400	18.23%
1999	785,381,772	4.30%
1998	752,983,491	2.54%
1997	734,344,811	15.78%
1996	634,258,767	4.51%

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

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

Program revenues covered 24 percent of program expenses overall. The remaining 76 percent is supported through tax revenues and other general revenues. In fiscal year 2005, however, revenues totaled 108 percent of expenses resulting in an increase in net assets $737,562.

The Statement of Activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. The following table shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted State grants and entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Program Expenses				
Governmental Activities				
Instruction:				
Regular	$175,054	$67,637	$168,002	$67,917
Vocational	4,147,283	3,767,502	3,765,829	3,603,583
Adult/Continuing	894,404	(52,496)	790,622	50,443
Support Services:				
Pupil	571,247	442,126	537,026	467,602
Instructional Staff	722,969	514,189	718,827	553,104
Board of Education	12,713	12,713	10,965	10,965
Administration	827,868	620,248	832,930	813,144
Fiscal	365,601	352,419	328,508	328,508
Business	99,558	99,558	93,966	93,966
Operation and Maintenance of Plant	1,015,251	995,714	1,041,180	964,477
Central	5,001	1	11,034	6,034
Operation of Non-Instructional Services	169,943	12,256	171,113	4,761
Extracurricular Activities	43,193	43,193	29,345	29,345
Interest and Fiscal Charges	20,231	20,231	18,414	18,414
Total	$9,070,316	$6,895,291	$8,517,761	$7,012,263

As one can see, the reliance upon local tax revenues for the governmental activities is crucial. 36.3 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 44.6 percent while investments and other miscellaneous type revenues support the remaining activity costs.

The Center's Funds

The Center's governmental funds (as presented on the balance sheet on page 13) reported a combined fund balance of $8,479,031, an increase of $503,317 from fiscal year 2004.

General Fund

The General Fund balance increased by $538,393 in fiscal year 2005.

Budgeting Highlights

The Center's appropriations are prepared according to Ohio law and are based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. In fiscal year 2005, all funds were appropriated at the fund level.

In fiscal year 2005, the Center adopted its appropriations prior to October 1, 2004 and amended those appropriations several times prior to fiscal year end. For the General Fund, final amended estimated revenues were $8,090,238. An increase of $17,000 was made during the fiscal year to account for additional customer sales and service revenue. In the Adult Education Fund final amended estimated revenues were $1,205,371. The increase was mainly due to an increase in tuition.

General Fund original appropriations of $8,350,023 were increased to $8,727,009 in the final appropriation measure. This increase in the General Fund appropriations was due mainly to increased maintenance costs, salaries and advances to other funds. The Adult Education Special Revenue Fund original appropriations of $930,365 were increased to $1,298,003. This increase was mainly due to additional costs associated with adult education instruction and to payback the advance received from the General Fund.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the Center had $6,313,727 invested in land, buildings and improvements, furniture, fixtures and equipment and vehicles. The following table shows fiscal year 2005 balances compared to 2004.

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

	Governmental Activities	
	2005	2004
Land	$40,564	$40,564
Buildings and Improvements	5,367,250	5,417,967
Furniture, Fixtures and Equipment	826,548	682,118
Vehicles	79,365	93,074
Total Capital Assets	$6,313,727	$6,233,723

Capital Assets net of depreciation increased by $80,004 overall. The increase was mainly due to the purchase of additional computers for the classrooms.

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

Debt

At June 30, 2005, the Center had $216,060 in general obligation debt outstanding with $19,700 due in one year. Table 5 summarizes bonds outstanding for fiscal year 2005 compared to fiscal year 2004.

Table 5
Outstanding Debt, Governmental Activities at Year End

Purpose	2005	2004
Energy Conservation Bonds	$216,060	$304,846

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

Challenges and Opportunities

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

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

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

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

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

Contacting the Center's Financial Management Personnel

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

Knox County Career Center

Statement of Net Assets

June 30, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$8,458,682
Accounts Receivable	107,236
Prepaid Items	42,334
Inventory Held for Resale	2,423
Materials and Supplies Inventory	8,792
Property Taxes Receivable	3,494,465
Nondepreciable Capital Assets	40,564
Depreciable Capital Assets, Net	6,273,163
Total Assets	18,427,659
Liabilities	
Accounts Payable	20,279
Accrued Wages Payable	629,780
Intergovernmental Payable	36,291
Accrued Interest Payable	11,275
Deferred Revenue	2,798,696
Claims Payable	4,546
Long-Term Liabilities:	
Due Within One Year	76,176
Due In More Than One Year	546,514
Total Liabilities	4,123,557
Net Assets	
Invested in Capital Assets, Net of Related Debt	6,097,667
Restricted for Other Purposes	171,071
Unrestricted	8,035,364
Total Net Assets	$14,304,102

See accompanying notes to the basic financial statements

Knox County Career Center

Statement of Activities

For the Fiscal Year Ended June 30, 2005

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$175,054	$8,825	$98,592	($67,637)
Vocational	4,147,283	178,322	201,459	(3,767,502)
Adult/Continuing	894,404	698,397	248,503	52,496
Support Services:				
Pupil	571,247	0	129,121	(442,126)
Instructional Staff	722,969	145,703	63,077	(514,189)
Board of Education	12,713	0	0	(12,713)
Administration	827,868	185,040	22,580	(620,248)
Fiscal	365,601	0	13,182	(352,419)
Business	99,558	0	0	(99,558)
Operation and Maintenance of Plant	1,015,251	19,537	0	(995,714)
Central	5,001	0	5,000	(1)
Operation of Non-Instructional Services	169,943	106,044	51,643	(12,256)
Extracurricular Activities	43,193	0	0	(43,193)
Interest and Fiscal Charges	20,231	0	0	(20,231)
Total	$9,070,316	$1,341,868	$833,157	(6,895,291)

General Revenues	
Property Taxes Levied for General Purposes	3,290,786
Grants and Entitlements not Restricted to Specific Programs	4,045,332
Investment Earnings	182,735
Payments in Lieu of Taxes	11,470
Gain on Sale of Capital Assets	691
Miscellaneous	101,839
Total General Revenues	7,632,853
Change in Net Assets	737,562
Net Assets Beginning of Year	13,566,540
Net Assets End of Year	$14,304,102

See accompanying notes to the basic financial statements

Knox County Career Center

Balance Sheet
Governmental Funds
June 30, 2005

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$8,206,085	$77,898	$147,848	$8,431,831
Accounts Receivable	28,299	75,161	3,776	107,236
Prepaid Items	42,334	0	0	42,334
Materials and Supplies Inventory	8,792	0	0	8,792
Inventory Held for Resale	0	0	2,423	2,423
Taxes Receivable	3,494,465	0	0	3,494,465
Total Assets	$11,779,975	$153,059	$154,047	$12,087,081
Liabilities				
Accounts Payable	$18,127	$1,222	$930	$20,279
Accrued Wages	553,636	52,416	23,728	629,780
Intergovernmental Payable	22,509	1,997	11,785	36,291
Deferred Revenue	2,921,700	0	0	2,921,700
Total Liabilities	3,515,972	55,635	36,443	3,608,050
Fund Balances				
Reserved for Encumbrances	22,583	18,772	10,134	51,489
Reserved for Property Taxes	572,765	0	0	572,765
Unreserved:				
Undesignated, Reported in:				
General Fund	7,668,655	0	0	7,668,655
Special Revenue Funds	0	78,652	107,470	186,122
Total Fund Balances	8,264,003	97,424	117,604	8,479,031
Total Liabilities and Fund Balances	$11,779,975	$153,059	$154,047	$12,087,081

See accompanying notes to the basic financial statements

Knox County Career Center

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2005

Total Governmental Funds Balances		$8,479,031
Amounts reported for governmental activities in the statement of net assets are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,313,727
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes		123,004
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		22,305
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Accrued Interest Payable		(11,275)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences	(406,630)	
Energy Conservation Bonds	(216,060)	
Total		(622,690)
Net Assets of Governmental Activities		$14,304,102

See accompanying notes to the basic financial statements

Knox County Career Center

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2005

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$3,293,048	$0	$0	$3,293,048
Intergovernmental	4,045,332	196,470	597,796	4,839,598
Interest	182,323	0	412	182,735
Tuition and Fees	8,949	1,012,169	71,898	1,093,016
Rentals	19,537	2,850	0	22,387
Gifts and Donations	6,506	0	32,385	38,891
Customer Sales and Services	120,421	0	106,044	226,465
Payments on Lieu of Taxes	11,470	0	0	11,470
Miscellaneous	100,197	1,642	0	101,839
Total Revenues	7,787,783	1,213,131	808,535	9,809,449
Expenditures				
Current:				
Instruction:				
Regular	63,392	0	114,852	178,244
Vocational	4,024,974	0	236,836	4,261,810
Adult/Continuing	0	795,970	75,551	871,521
Support Services:				
Pupil	399,117	30,831	136,481	566,429
Instructional Staff	521,688	143,995	83,336	749,019
Board of Education	12,713	0	0	12,713
Administration	646,136	205,161	34,787	886,084
Fiscal	364,220	0	0	364,220
Business	97,743	0	0	97,743
Operation and Maintenance of Plant	974,170	85	3,650	977,905
Central	0	0	5,001	5,001
Operation of Non-Instructional Services	0	0	169,296	169,296
Extracurricular Activities	43,193	0	0	43,193
Capital Outlay	0	0	20,910	20,910
Debt Service:				
Principal Retirement	88,785	0	0	88,785
Interest and Fiscal Charges	14,970	0	0	14,970
Total Expenditures	7,251,101	1,176,042	880,700	9,307,843
Excess of Revenues Over (Under) Expenditures	536,682	37,089	(72,165)	501,606
Other Financing Sources				
Proceeds from Sale of Capital Assets	1,711	0	0	1,711
Net Change in Fund Balances	538,393	37,089	(72,165)	503,317
Fund Balances Beginningof Year	7,725,610	60,335	189,769	7,975,714
Fund Balances End of Year	$8,264,003	$97,424	$117,604	$8,479,031

See accompanying notes to the basic financial statements

Knox County Career Center

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds		$503,317
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlay	320,311	
Current Year Depreciation	(239,287)	
Total		81,024
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or losss is reported for each disposal.		(1,020)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes		(2,262)
Repayment of energy conservation bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		88,786
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as exenditures in governmental funds.		
Compensated Absences	54,176	
Pension Obligations	15,107	
Total		69,283
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds an interest expenditure is reported when due.		(5,261)
The internal service fund used by management to charge the costs of health insurance is included in the statement of activities and not on the governmental fund expenditures.		3,695
Change in Net Assets of Governmental Activities		$737,562

See accompanying notes to the basic financial statements

Knox County Career Center

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Total Revenues and Other Sources	$8,073,238	$8,090,238	$8,148,825	$58,587
Total Expenditures and Other Uses	8,350,023	8,727,009	7,357,087	1,369,922
Net Change in Fund Balance	(276,785)	(636,771)	791,738	1,428,509
Fund Balance Beginning of Year	7,119,410	7,119,410	7,119,410	0
Prior Year Encumbrances Appropriated	289,488	289,488	289,488	0
Fund Balance End of Year	$7,132,113	$6,772,127	$8,200,636	$1,428,509

See accompanying notes to the basic financial statements

Knox County Career Center

Statement of Revenues, Expenditures and Changes

In Fund Balance - Budget (Non-GAAP Basis) and Actual

Adult Education Fund

For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Total Revenues and Other Sources	$915,000	$1,205,371	$1,248,955	$43,584
Total Expenditures and Other Uses	930,365	1,298,003	1,283,685	14,318
Net Change in Fund Balance	(15,365)	(92,632)	(34,730)	57,902
Fund Balance Beginning of Year	77,267	77,267	77,267	0
Prior Year Encumbrances Appropriated	15,365	15,365	15,365	0
Fund Balance End of Year	$77,267	$0	$57,902	$57,902

See accompanying notes to the basic financial statements

Knox County Career Center

Statement of Net Assets

Proprietary Fund Type

June 30, 2005

	Governmental Activities
	Internal Service
Assets	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$26,851
Liabilities	
Current Liabilities	
Claims Payable	4,546
Net Assets	
Unrestricted	$22,305

See accompanying notes to the basic financial statements

Knox County Career Center

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2005

	Governmental Activities
	Internal Service
Operating Revenues	
Charges for Services	$63,050
Operating Expenses	
Purchased Services	5,505
Claims	53,850
Total Operating Expenses	59,355
Change in Net Assets	3,695
Net Assets Beginning of Year	18,610
Net Assets End of Year	$22,305

See accompanying notes to the basic financial statements

Knox County Career Center

Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2005

	Governmental Activities
	Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	$63,050
Cash Payments to Suppliers for Goods and Services	(5,505)
Cash Payments for Claims	(51,507)
Net Increase in Cash and Cash Equivalents	6,038
Cash and Cash Equivalents Beginning of Year	20,813
Cash and Cash Equivalents End of Year	$26,851
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	$3,695
Adjustments:	
Increase in Claims Payable	2,343
Net Cash Provided by Operating Activities	$6,038

See accompanying notes to the basic financial statements

Knox CountyCareer Center

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	Private Purpose Trust Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$13,959	$32,830
Liabilities		
Due to Students	$0	$32,830
Net Assets		
Held in Trust for Scholarships	$13,959	

See accompanying notes to the basic financial statements

Knox County Career Center

Statement of Changes in Fiduciary Net Assets

Private Purpose Trust Fund

For the Fiscal Year Ended June 30, 2005

	Scholarship
Additions	
Interest	$291
Deductions	
Payments in Accordance with Trust Agreements	232
Change in Net Assets	59
Net Assets Beginning of Year	13,900
Net Assets End of Year	$13,959

See accompanying notes to the basic financial statements

Note 1 - Description of the Center and Reporting Entity

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

The Center is a jointly governed organization operating under a seven member board: three members are appointed by the Knox County Educational Service Center Board, three by the City of Mount Vernon School Board, and one by the Richland County Educational Service Center Board. Each Board member is elected to their home district and then appointed to the Center's board. The Center provides educational services as authorized by state statute and/or federal guidelines. The Center employs 66 certified employees and 24 non-certified employees who provide services to 546 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt or the levying of taxes. The Center has no component units.

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or after November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. Following are the more significant of the Center's accounting policies.

A. Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

B. Fund Accounting

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

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

> ***General Fund*** - The general fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the Center for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Adult Education Fund*** – This fund is used to account for transactions made in connection with adult education classes.

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

C. Measurement Focus

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

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

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

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

D. Basis of Accounting

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Deferred 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 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Process

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

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Cash and Investments

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

During fiscal year 2005, investments were limited to Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds and STAROhio.

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

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2005.

By Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to $182,323, which includes $8,250 assigned from other Center funds.

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

G. Inventory

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

H. Capital Assets

All capital assets of the Center are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of five hundred dollars. The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Buildings and Improvements	100 years
Furniture, Fixtures and Equipment	5-25 years
Vehicles	10-15 years

Note 2 - Summary of Significant Accounting Policies (Continued)

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets. The Center had no interfund receivable/payable at fiscal year end.

J. Compensated Absences

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, 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 year. Bonds are recognized as a liability on the governmental fund financial statements when due.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports $171,071 of restricted net assets, of which none is restricted by enabling legislation. Net assets restricted for other purposes include instructional activities and food service operations.

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

M. Fund Balance Reserves

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

N. Interfund Transactions

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The Center had no extraordinary or special items in fiscal year 2005.

P. Estimates

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

Note 3 – Changes in Accounting Principles

For fiscal year 2005, the Center has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.*

GASB Statement No. 40 establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk and foreign currency risk.

GASB Statement No. 46 clarifies how enabling legislation should be defined for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 46 did not affect the presentation of the financial statements of the Center. The implementation of GASB Statement No. 40 had no effect on the financial statements. The implementation of GASB Technical Bulletin No. 2004-2 had no material effect on the financial statements as they were previously reported as of June 30, 2004.

Note 4 – Compliance

Fund balances at June 30, 2005, included the following individual fund deficits:

Special Revenue Fund:	
Preschool Grant	$12,599
Adult Basic & Literacy Grant	1,491
Education Management Information System	6
Food Service	5,365

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

Note 5 - Budgetary Basis of Accounting

While the Center is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund and major special revenue funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (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 basis statements to the budgetary basis statements for the General Fund and the Adult Education Major Special Revenue Fund.

Net Change in Fund Balance

	General	Adult Education
GAAP Basis	$538,393	$37,089
Net Adjustment for Revenue Accruals	251,706	(64,176)
Advances In	107,625	100,000
Net Adjustment for Expenditure Accruals	6,463	12,353
Advances Out	(107,000)	(100,000)
Encumbrances	(5,449)	(19,996)
Budget Basis	$791,738	($34,730)

Note 6 - Deposits and Investments

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

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

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

Note 6 - Deposits and Investments (Continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

3. Written repurchase agreements in the securities listed above;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;

7. The State Treasurer's investment pool (STAROhio); and,

8. Commercial paper and bankers acceptances of training requirement have been met.

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

Cash on Hand

At year end, the Center has $575 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, $2,769,521 of the Center’s bank balance of $4,251,521 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Center’s name. Although the securities serving as collateral were held by the pledging institution in the pledging institution’s name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

Note 6 - Deposits and Investments (Continued)

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

Investments

As of June 30, 2005, the Center had the following investments. All investments are in an internal investment pool.

	Carrying and Fair Value	Investment Maturities (in Years)		
		Less than 1	1-2	3-5
Investment in State Treasurer's Investment Pool	$557,605	$557,605	$0	$0
Federal Home Loan Bank Bonds	3,815,132	1,780,608	693,506	1,341,018
Federal National Mortgage Association Bonds	303,063	0	203,782	99,281
Total Investments	$4,675,800	$2,338,213	$897,288	$1,440,299

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

Credit Risk Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Federal Home Loan Bank Bonds and Federal Home Loan Mortgage Association Bonds carry a rating of AAA by Fitch. STAROhio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Center has no investment policy that would further limit its investment choices.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Bonds and Federal Home Loan Mortgage Association Bonds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent in the Center's name. The Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investment to the treasurer or qualified trustee.

Concentration of Credit Risk The Center places no limit on the amount it may invest in any one issuer. The following is the Center's allocation as of June 30, 2005:

	Percentage of Investments
STAROhio	11.9 %
Federal National Mortgage Association Bonds	6.5
Federal Home Loan Bank Bonds	81.6

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Center. Real property tax revenue received in calendar 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, 2003, 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.

Tangible personal property tax revenue received during calendar 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-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Center prior to June 30.

The Center receives property taxes from Coshocton, Delaware, Holmes, Knox, Licking, Morrow, and Richland Counties. The County Auditors periodically advance to the Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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 in the General Fund was $572,765 at June 30, 2005 and $846,802 at June 30, 2004.

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.

Note 7 - Property Taxes (Continued)

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

	2004 Second Half Collections		2005 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$944,168,220	85.40 %	$970,186,100	86.03 %
Public Utility Personal	50,613,651	4.58	49,529,454	4.39
Tangible Personal Property	110,738,451	10.02	108,061,045	9.58
Total	$1,105,520,322	100.00 %	$1,127,776,599	100.00 %
Tax rate per $1,000 of assessed valuation	$6.40		$6.40	

Note 8 - Receivables

Receivables at June 30, 2005, consisted of taxes and accounts (customer services, student fees and insurance premiums). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

Note 9 - Capital Assets

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

	Balance 6/30/04	Additions	Reductions	Balance 6/30/05
Governmental Activities:				
Capital assets not being depreciated				
Land	$40,564	$0	$0	$40,564
Total capital assets not being depreciated	40,564	0	0	40,564
Capital assets being depreciated				
Buildings and improvements	6,938,042	20,910	0	6,958,952
Furniture, fixtures and equipment	1,796,909	299,401	(24,307)	2,072,003
Vehicles	142,578	0	(6,750)	135,828
Total capital assets being depreciated	8,877,529	320,311	(31,057)	9,166,783
Accumulated depreciation				
Buildings and improvements	(1,520,075)	(71,627)	0	(1,591,702)
Furniture, fixtures and equipment	(1,114,791)	(153,951)	23,287	(1,245,455)
Vehicles	(49,504)	(13,709)	6,750	(56,463)
Total accumulated depreciation	(2,684,370)	(239,287) *	30,037	(2,893,620)
Capital assets being depreciated, net	6,193,159	81,024	(1,020)	6,273,163
Governmental activities capital assets, net	$6,233,723	$81,024	($1,020)	$6,313,727

Note 9 - Capital Assets (Continued)

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$1,517
Vocational	135,974
Adult/Continuing	25,711
Support Services:	
Pupil	5,003
Instructional Staff	15,120
Administration	16,234
Fiscal	3,884
Operation and Maintenance of Plant	34,267
Operation of Non-Instructional Services	1,577
Total Depreciation Expense	$239,287

Note 10 - Risk Management

A. Property and Liability

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center maintains comprehensive insurance coverage with a private carrier for liability coverage. Real property, building contents and vehicles are through the Ohio School Plan. The Center joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual participant enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Center pays its annual premium to the OSP (see Note 17). The Center has general liability coverage with $1,000,000 per occurrence and $3,000,000 general aggregate.

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

B. Workers' Compensation

The Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

Note 10 - Risk Management (Continued)

C. Employee Medical Benefits

The Center offers vision and dental insurance to all eligible employees through a self-insurance fund. The Center has a third party administrator, Medical Claims Service, Inc., review and administer the claims activity. The claims liability of $4,546 reported in the internal service fund at June 30, 2005 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past three fiscal years are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claims Payments	Balance at End of Fiscal Year
2003	$6,831	$42,444	$47,304	$1,971
2004	1,971	41,243	41,009	2,205
2005	2,205	53,850	51,509	4,546

Note 11 - Pension Plans

A. School Employees Retirement System

The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614)222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS’ Retirement Board. The Center’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were $96,017, $84,627 and $68,669 respectively; 100 percent for fiscal years 2005, 2004 and 2003 have been contributed.

B. State Teachers Retirement System

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

Note 11 - Pension Plans (Continued)

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.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were $550,350, $511,337, and $479,713 respectively; 100 percent was contributed for fiscal years 2005, 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were $15,565 made by the Center and $22,521 made by the plan members.

Note 12 - Postemployment Benefits

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

All retirees from the DB and Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the Center, this amount equaled $42,335 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was $3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were $254,780,000 and STRS had 115,395 eligible benefit recipients.

Note 12 - Postemployment Benefits (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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 3.43 percent of covered payroll, a decrease of 1.48 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 was established at $27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the Center, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled $82,944.

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

Note 13 - Other Employee Benefits

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

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to certified and classified employees upon retirement is limited to one-third of accumulated sick days not to exceed 270 days. The total maximum payment is for 90 days.

Note 14 - Long-Term Obligations

The changes in the Center's long-term obligations during fiscal year 2005 were as follows:

	Outstanding 6/30/04	Additions	Reductions	Outstanding 6/30/05	Amounts Due in One Year
Energy Conservation Bonds 5.05%					
Issued June 15, 1995	$70,000	$0	$70,000	$0	$0
Energy Conservation Bonds 4.87%					
Issued January 15, 1999	234,846	0	18,786	216,060	19,700
Compensated Absences	460,806	0	54,176	406,630	56,476
Total General Long-Term Obligations	$765,652	$0	$142,962	$622,690	$76,176

Compensated absences will be paid from the General Fund and the Adult Education Special Revenue Fund. The Energy Conservation Bonds were used to update lighting and heating and air conditioning. The bonds are paid from property tax revenue.

Note 14 - Long-Term Obligations (Continued)

The Center's overall legal debt margin was $101,283,834 with an unvoted debt margin of $112,777,660 at June 30, 2005. Principal and interest requirements to retire the energy conservation bonds outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	$19,700	$10,522	$30,222
2007	20,659	9,562	30,221
2008	21,665	8,557	30,222
2009	22,720	7,502	30,222
2010	23,827	6,395	30,222
2011-2014	107,489	13,397	120,886
Total	$216,060	$55,935	$271,995

Note 15 - Set-Asides

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

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

	Capital Improvements Reserve	Textbook Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2004	$0	$0
Current Year Set-aside Requirement	84,761	84,761
Qualifying Disbursements	(84,761)	(84,761)
Totals	$0	$0
Set-aside Reserve Balance as of June 30, 2005	$0	$0

Note 16 - Jointly Governed Organization

Tri-Rivers Educational Computer Association (TRECA) is a jointly governed organization among 31 public school districts within the boundaries of Delaware, Marion, Morrow, Knox and Wyandot Counties. TRECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. TRECA operates under the direction of a Board consisting of two representatives from each county, elected by a majority vote of all charter member school districts within each county. The continued existence of TRECA is not dependent on the School District's continued participation and no equity interest exists. TRECA has no outstanding debt. To obtain financial information write to: Tri-Rivers Educational Computer Association, Mike Carder, who serves as Director, 2222 Marion-Mount Gilead Road, Marion, Ohio 43302. The School District contributed $23,733 to TRECA during fiscal year 2005.

Note 17 - Public Entity Risk Pools

A. Insurance Purchasing Pool

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

B. Shared Risk Pool

Ohio School Plan – The Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. OSP was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. 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. OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Shuett Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of OSP and is responsible for processing claims. Harcum-Shuett Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Note 18 - Contingencies

A. Grants

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

B. Litigation

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

Knox County Career Center
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
Passed through the Ohio Department of Education						
Child and Adult Care Food Program	CC-MO	10.558	$2,489	$0	$2,489	$0
Nutrition Cluster:						
Food Donation	NA	10.550	0	7,633	0	7,633
School Breakfast Program	05-PU	10.553	7,142	0	7,142	0
National School Lunch Program	LL-P4	10.555	37,445	0	37,445	0
Subtotal -Nutrition Cluster			44,587	7,633	44,587	7,633
Total United States Department of Agriculture - Nutrition Cluster			47,076	7,633	47,076	7,633
United States Department of Education						
Direct from the Federal Government						
Student Financial Aid Cluster:						
Federal Supplemental Educational Opportunity Grants	N	84.007	10,124	0	10,124	0
Federal Pell Grant Program	N	84.063	213,477	0	213,477	0
Federal Direct Student Loans	N	84.268	403,791	0	403,791	0
Total Student Financial Aid Cluster			627,392	0	627,392	0
Rural Education	N	84.358	51,793	0	51,793	0
Passed through the Madison Local School District						
Vocational Education-Basic Grants to States	NA	84.048	37,685	0	29,709	0
Passed through the Ohio Department of Education						
Vocational Education-Basic Grants to States	20-C1	84.048	157,653	0	157,653	0
Total Vocational Education-Basic Grants to States			195,338	0	187,362	0
Passed through the Ohio Department of Education						
Adult Education State-Grant Program	AB-S1	84.002	50,707	0	50,707	0
Safe & Drug Free Schools and Communities-State Grants	DR-S1	84.186	1,471	0	1,471	0
State Grants for Innovative Programs	C2-S1	84.298	2,647	0	2,647	0
Improving Teacher Quality State Grants	TR-S1	84.367	3,489	0	3,489	0
Total United States Department of Education			58,314	0	58,314	0
Total Federal Financial Assistance			$979,913	$7,633	$971,937	$7,633

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

See Accompanying Notes to the Schedule of Federal Awards Expenditures

Notes A – Significant Accounting Policies

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

Note B – Food Distributions

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the Center had no significant food commodities in inventory.

Note C – Guaranteed Student Loans

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

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Member Ohio Society of Certified Public Accountants

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Knox County Career Center (the Center), Knox County, as of and for the year ended June 30, 2005, which collectively comprise the Center's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 18, 2006, in which we indicated the Center implemented GASB Statements No. 40 and 46 and GASB Technical Bulletin 2004-2. 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 opinions 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 over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Members of the Board
Knox County Career Center

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

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
January 18, 2006

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

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

Compliance

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

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

In our opinion, the 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.

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.

Members of the Board
Knox County Career Center

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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, Board members, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer

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January 18, 2006

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster, CFDA #s: 84.007, 84.063, and 84.268
(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 AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

Auditor of State
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KNOX COUNTY CAREER CENTER

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 4, 2006