



**Auditor of State
Betty Montgomery**

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Delaware Area Career Center
Delaware County
4565 Columbus Pike
Delaware, Ohio 43015

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Delaware Area Career Center, Delaware County, Ohio, (the Center) as of and for the year ended June 30, 2003, 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Delaware Area Career Center, Delaware County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the Center implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and changed its capitalization threshold.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2004, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the Center's basic financial statements. The schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 11, 2004

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Delaware Area Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The discussion and analysis of Delaware Area Career Center's financial performance provides an overall review of the Career Center's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the Career Center's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Career Center's financial performance.

Highlights

Key highlights for fiscal year 2003 are as follows:

- Net assets for the Career Center's governmental activities increased \$872,270, or close to 8 percent from the prior fiscal year. This increase is primarily the result of greater cash balances at the end of the fiscal year when compared to the prior fiscal year.
- The Career Center had \$11,507,614 in expenses related to governmental activities; only \$1,914,634, or 17 percent, of these expenses were offset by program specific charges for services, grants, or contributions.
- The Career Center's business-type activity, adult education, had an increase in net assets of \$96,154, or a 68 percent increase. This activity also had a greater cash balance at the end of the fiscal year. In addition, there was a significant increase in intergovernmental receivables reflected as current year revenue which, in turn, increased net assets.
- While 100 percent of the revenues for adult education are reported as program revenues, the operation of this activity continues to be significantly dependent on transfers from the General Fund to support its operation.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Delaware Area Career Center as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole Career Center, presenting both an aggregate view of the Career Center's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Career Center's most significant funds with all other nonmajor funds presented in total in a single column. For Delaware Area Career Center, the General Fund, Permanent Improvement capital projects fund, and Adult Education enterprise fund are the most significant funds.

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Management's Discussion and Analysis
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Reporting the Career Center as a Whole

The statement of net assets and the statement of activities reflect how the Career Center did financially during fiscal year 2003. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the Career Center's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the Career Center as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the Career Center's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the Career Center discloses two types of activities:

Governmental Activities - Most of the Career Center's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided.

Reporting the Career Center's Most Significant Funds

Fund financial statements provide detailed information about the Career Center's major funds. While the Career Center uses many funds to account for its financial transactions, the fund financial statements focus on the Career Center's most significant funds. The Career Center's major funds are the General Fund, Permanent Improvement capital projects fund, and Adult Education enterprise fund.

Governmental Funds - The Career Center's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. The Career Center's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at fiscal year end. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the Career Center's operations.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Career Center's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Delaware Area Career Center
Management's Discussion and Analysis
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Unaudited

Enterprise Fund - The enterprise fund uses the same basis of accounting as business-type activities; therefore, this statement is essentially the same.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Career Center. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the Career Center's programs. These funds use the accrual basis of accounting.

The Career Center as a Whole

Table 1 provides a summary of the Career Center's net assets for fiscal year 2003 compared to fiscal year 2002:

Table 1
Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2003	2002	2003	2002	2003	2002
<u>Assets</u>						
Current and Other Assets	\$13,216,523	\$12,087,870	\$24,234	(\$85,215)	\$13,240,757	\$12,002,655
Capital Assets, Net	7,251,824	6,839,557	0	0	7,251,824	6,839,557
Total Assets	20,468,347	18,927,427	24,234	(85,215)	20,492,581	18,842,212
<u>Liabilities</u>						
Current and Other Liabilities	6,869,072	6,169,209	57,528	49,062	6,926,600	6,218,271
Long-Term Liabilities	1,253,248	1,284,461	12,653	7,824	1,265,901	1,292,285
Total Liabilities	8,122,320	7,453,670	70,181	56,886	8,192,501	7,510,556
<u>Net Assets</u>						
Invested in Capital						
Assets, Net of Related Debt	6,548,117	6,044,428	0	0	6,548,117	6,044,428
Restricted	1,166,328	1,178,601	0	0	1,166,328	1,178,601
Unrestricted	4,631,582	4,250,728	(45,947)	(142,101)	4,585,635	4,108,627
Total Net Assets	\$12,346,027	\$11,473,757	(\$45,947)	(\$142,101)	\$12,300,080	\$11,331,656

Total assets increased approximately 8 percent for fiscal year 2003. While this is a generally insignificant change overall, three asset accounts within total assets had somewhat substantial changes. The first was an increase in cash of over \$621,000. This is the result of the typical cycle of tax collections with a new levy (a 1.7 mill five-year levy was approved in August 2001). During the first few years, the revenues outpace the expenditures, which results in more cash at the end of the fiscal year. Eventually, the expenditures start to outpace the revenues, which results in less cash at the end of the fiscal year and ultimately leads to a new levy being placed on the ballot.

Intergovernmental receivables reflect a 44 percent increase from the prior fiscal year. This is the result of two factors, the timeliness of project cash requests and the processing time of those cash requests at the Department of Education. At June 30, 2003, a greater amount grant receipts was still outstanding.

Delaware Area Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Finally, there was a 14 percent increase in nondepreciable capital assets. This is due to construction in progress for the new law enforcement building addition and the installation of the new security system.

The overall increase in total liabilities of approximately 9 percent is also generally insignificant. The only liability account that fluctuated greatly from the prior year was a 64 percent decrease in accounts payable at fiscal year end. In fiscal year 2003, the Career Center made a concerted effort to minimize the number of outstanding purchase orders.

For the business-type activity, there were changes in two asset accounts which significantly impacted total assets as well as total net assets. The 775 percent increase in cash is the result of a new local share of the ABLE program that is recorded within the Adult Education fund. In addition, a receivable from Delaware County related to this ABLE program resulted in a sizable increase in intergovernmental receivables reported as current year revenue.

The 68 percent increase in unrestricted net assets is not only affected by the two factors above, but also by a significant decrease in amounts due to the General Fund as a result of unpaid prior year advances. In fiscal year 2003, it was determined that these amounts would not be repaid and are therefore reported as transfers for the current fiscal year.

Table 2 reflects the changes in net assets for fiscal year 2003. Since this is the first year the Career Center has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior fiscal year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Change in Net Assets

	Governmental Activities	Business-Type Activity	Total
	2003	2003	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$329,370	\$489,988	\$734,201
Operating Grants, Contributions, and Interest	1,585,264	178,515	1,848,936
Total Program Revenues	1,914,634	668,503	2,583,137

(continued)

Delaware Area Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities	Business-Type Activity	Total
	2003	2003	
General Revenues			
Property Taxes Levied for General Purposes	\$6,288,143	\$0	\$6,288,143
Property Taxes Levied for Permanent Improvements	998,237	0	998,237
Grants and Entitlements not Restricted to Specific Programs	3,411,247	0	3,411,247
Interest	88,655	0	88,655
Miscellaneous	7,147	0	7,147
Total General Revenues	10,793,429	0	10,793,429
Total Revenues	12,708,063	668,503	13,376,566
Transfers	(328,179)	328,179	0
Total Revenues and Transfers	12,379,884	996,682	13,376,566
<u>Expenses</u>			
Instruction:			
Regular	869,578	0	869,578
Vocational	5,655,958	0	5,655,958
Adult/Continuing	154,794	0	154,794
Support Services:			
Pupils	448,306	0	448,306
Instructional Staff	344,487	0	344,487
Board of Education	126,874	0	126,874
Administration	1,588,157	0	1,588,157
Fiscal	491,422	0	491,422
Operation and Maintenance of Plant	1,443,322	0	1,443,322
Pupil Transportation	19,927	0	19,927
Central	90,954	0	90,954
Non-Instructional Services	209,542	0	209,542
Extracurricular Activities	40,295	0	40,295
Interest and Fiscal Charges	23,998	0	23,998
Adult Education	0	900,528	900,528
Total Expenses	11,507,614	900,528	12,408,142
Increase in Net Assets	\$872,270	\$96,154	\$968,424

Delaware Area Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Program revenues for governmental activities were only 15 percent of total revenues and are primarily represented by charges for tuition and fees and restricted intergovernmental revenues. While general revenues represent 85 percent of total revenues, property taxes and unrestricted intergovernmental revenues, primarily State foundation resources, make up 99 percent of general revenues; thus the Career Center has an overwhelming dependence on local resources through taxes and our allocation of State resources.

The major program expenses for governmental activities are for instruction, which is 58 percent of total governmental expenses. Other programs which support the instruction process, including pupils and instructional staff, were 7 percent of total governmental expenses. Maintenance of the School District's facilities also represented a significant expense, over 12 percent of total governmental expenses. As a result, over 77 percent of the Career Center's expenses are related to the primary functions of providing the facilities and delivering education.

While 100 percent of the revenues for adult education are reported as program revenues, the overall operation of this activity is dependent on General Fund transfers. These transfers make up over 33 percent of the total resources available in the Adult Education fund.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. Comparisons to fiscal year 2002 have not been made since they are not available.

Table 3
Governmental Activities

	Total Cost of Services 2003	Net Cost of Services 2003
Instruction:		
Regular	\$869,578	\$869,578
Special	0	(83,319)
Vocational	5,655,958	4,082,849
Adult/Continuing	154,794	30,944
Support Services:		
Pupils	448,306	406,788
Instructional Staff	344,487	344,487
Board of Education	126,874	126,874
Administration	1,588,157	1,588,157
Fiscal	491,422	491,422
Operation and Maintenance of Plant	1,443,322	1,443,322
Pupil Transportation	19,927	19,927
Central	90,954	90,954
Non-Instructional Services	209,542	116,704
Extracurricular Activities	40,295	40,295
Interest and Fiscal Charges	23,998	23,998
Total Expenses	<u>\$11,507,614</u>	<u>\$9,592,980</u>

Delaware Area Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

With over 83 percent of all governmental activities expenses supported through general revenues, as indicated throughout this discussion, the Career Center is considerably dependent on property taxes and unrestricted grants and entitlements. A review of the above program categories demonstrates that vocational instruction is offset to some extent, about 28 percent by tuition charges and operating grants and contributions restricted to vocational instruction purposes. Also, the adult/continuing instruction program receives 80 percent of its support through restricted operating grants and contributions. While it appears that the Career Center receives program revenues for special education purposes for which it has no expenses, this is a somewhat misleading interpretation. The costs of instruction for the Career Center's special education students are generally reflected within the vocational program in which they participate. And finally, the costs of the non-instructional services program is offset by program revenues by approximately 44 percent. This is primarily made up of cafeteria sales.

The Career Center's Funds

The Career Center's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$12,712,597 and expenditures of \$11,991,236. The overall increase in fund balance of \$434,488 is a little over 7 percent. The General Fund's overall increase in fund balance of \$485,116 is almost entirely the result of increased property tax collections in fiscal year 2003 without a proportional increase in spending.

The Adult Education enterprise fund had an operating loss for the fiscal year, in the amount of \$409,490. However, there was an overall increase in net assets that was rather substantial. Operations of this fund have historically been subsidized with transfers from the General Fund and these Board approved transfers will continue in the future.

General Fund Budgeting Highlights

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

During fiscal year 2003, the Career Center amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$10,502,510, were slightly higher than the original budgeted revenues, in the amount of \$9,683,490. The difference is the result of conservative revenue estimates and additional grants approved during the course of the school year. Actual revenue receipts were very closely aligned with estimates.

Final expenditures were budgeted at \$9,590,985 while actual expenditures were \$9,270,143. Actual expenditures were also very closely aligned with estimates.

Delaware Area Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the Career Center had \$7,251,824 invested in capital assets (net of accumulated depreciation) for governmental activities, a 6 percent increase from the prior fiscal year. Additions for the fiscal year included remodeling the career graphics and dental labs, replacing the roof on the south campus building, and construction on the new law enforcement building addition and the new security system. For further information regarding the Career Center's capital assets, see Note 9 to the basic financial statements.

Debt

At June 30, 2003, the Career Center had an outstanding loan, in the amount of \$316,667, for remodeling school facilities and an outstanding loan, in the amount of \$290,000, for improving energy conservation measures. There were also outstanding capital leases, in the amount of \$97,040, for equipment. The Career Center's long-term obligations also include compensated absences. For further information regarding the Career Center's long-term obligations, see Note 16 to the basic financial statements.

Current Issues

In April 2003, teachers approved a new negotiated contract with the Career Center. The three-year contract expires in June 2006. Provisions of the new contract include base salary increases of 3.5 percent for fiscal year 2003, 4 percent for fiscal year 2004, and 3.5 percent for fiscal year 2005.

During fiscal year 2003, construction began on a new \$1.3 million law enforcement addition at the south campus. This addition will not only enhance the training facilities for our secondary and adult education students, it will also provide a training site for local law enforcement agencies.

Contacting the Career Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Career Center's finances and to reflect the Career Center's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Christopher Bell, Treasurer, Delaware Area Career Center, 4565 Columbus Pike, Delaware, Ohio 43015.

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Delaware Area Career Center
Statement of Net Assets
June 30, 2003

	Governmental Activities	Business-Type Activity	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$4,954,175	\$41,747	\$4,995,922
Accounts Receivable	6,175	0	6,175
Accrued Interest Receivable	19,783	0	19,783
Intergovernmental Receivable	170,470	36,700	207,170
Internal Balances	58,495	(58,495)	0
Due from External Parties	3,450	0	3,450
Prepaid Items	122,268	4,282	126,550
Inventory Held for Resale	1,592	0	1,592
Materials and Supplies Inventory	74,552	0	74,552
Property Taxes Receivable	7,805,563	0	7,805,563
Nondepreciable Capital Assets	754,821	0	754,821
Depreciable Capital Assets, Net	6,497,003	0	6,497,003
Total Assets	<u>20,468,347</u>	<u>24,234</u>	<u>20,492,581</u>
<u>Liabilities:</u>			
Accounts Payable	77,183	1,786	78,969
Contracts Payable	47,224	0	47,224
Retainage Payable	3,864	0	3,864
Accrued Wages and Benefits Payable	655,869	35,771	691,640
Matured Compensated Absences Payable	24,881	0	24,881
Intergovernmental Payable	157,565	19,971	177,536
Deferred Revenue	5,902,486	0	5,902,486
<u>Long-Term Liabilities:</u>			
Due Within One Year	194,064	4,931	198,995
Due in More Than One Year	1,059,184	7,722	1,066,906
Total Liabilities	<u>8,122,320</u>	<u>70,181</u>	<u>8,192,501</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	6,548,117	0	6,548,117
<u>Restricted For:</u>			
Set Asides	49,102	0	49,102
Debt Service	316,667	0	316,667
Capital Projects	713,155	0	713,155
Other Purposes	87,404	0	87,404
Unrestricted (Deficit)	4,631,582	(45,947)	4,585,635
Total Net Assets (Deficit)	<u>\$12,346,027</u>	<u>(\$45,947)</u>	<u>\$12,300,080</u>

See Accompanying Notes to Basic Financial Statements

Delaware Area Career Center
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues	
Expenses	Charges for Services	Operating Grants, Contributions, and Interest
<u>Governmental Activities:</u>		
Instruction:		
Regular	\$869,578	\$0
Special	0	83,319
Vocational	5,655,958	246,308
Adult/Continuing	154,794	0
Support Services:		
Pupils	448,306	0
Instructional Staff	344,487	0
Board of Education	126,874	0
Administration	1,588,157	0
Fiscal	491,422	0
Operation and Maintenance of Plant	1,443,322	0
Pupil Transportation	19,927	0
Central	90,954	0
Non-Instructional Services	209,542	83,062
Extracurricular Activities	40,295	0
Interest and Fiscal Charges	23,998	0
Total Governmental Activities	11,507,614	329,370
<u>Business-Type Activity:</u>		
Adult Education	900,528	489,988
Total	\$12,408,142	\$819,358
		178,515
		\$1,763,779

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Permanent Improvements
Grants and Entitlements not Restricted to Specific Programs
Interest
Miscellaneous
Total General Revenues

Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets (Deficit) Beginning of Year - Note 3
Net Assets (Deficit) End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Governmental Activities	Business-Type Activity	Total
(\$869,578)	\$0	(\$869,578)
83,319	0	83,319
(4,082,849)	0	(4,082,849)
(30,944)	0	(30,944)
(406,788)	0	(406,788)
(344,487)	0	(344,487)
(126,874)	0	(126,874)
(1,588,157)	0	(1,588,157)
(491,422)	0	(491,422)
(1,443,322)	0	(1,443,322)
(19,927)	0	(19,927)
(90,954)	0	(90,954)
(116,704)	0	(116,704)
(40,295)	0	(40,295)
(23,998)	0	(23,998)
(9,592,980)	0	(9,592,980)
0	(232,025)	(232,025)
(9,592,980)	(232,025)	(9,825,005)
6,288,143	0	6,288,143
998,237	0	998,237
3,411,247	0	3,411,247
88,655	0	88,655
7,147	0	7,147
10,793,429	0	10,793,429
(328,179)	328,179	0
10,465,250	328,179	10,793,429
872,270	96,154	968,424
11,473,757	(142,101)	11,331,656
\$12,346,027	(\$45,947)	\$12,300,080

Delaware Area Career Center
Balance Sheet
Governmental Funds
June 30, 2003

	General	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,854,312	\$531,456	\$519,305	\$4,905,073
Accounts Receivable	1,596	0	4,579	6,175
Accrued Interest Receivable	19,783	0	0	19,783
Intergovernmental Receivable	5,615	0	164,855	170,470
Interfund Receivable	571,224	0	0	571,224
Due from External Parties	3,450	0	0	3,450
Prepaid Items	110,670	0	11,598	122,268
Inventory Held for Resale	0	0	1,592	1,592
Materials and Supplies Inventory	74,236	0	316	74,552
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	49,102	0	0	49,102
Property Taxes Receivable	6,731,931	1,073,632	0	7,805,563
Total Assets	\$11,421,919	\$1,605,088	\$702,245	\$13,729,252
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$35,702	\$34,124	\$7,357	\$77,183
Contracts Payable	740	46,484	0	47,224
Retainage Payable	0	3,864	0	3,864
Accrued Wages and Benefits Payable	598,404	0	57,465	655,869
Matured Compensated Absences Payable	23,914	0	967	24,881
Intergovernmental Payable	151,957	0	1,108	153,065
Interfund Payable	0	0	512,729	512,729
Deferred Revenue	5,220,636	824,997	44,438	6,090,071
Total Liabilities	6,031,353	909,469	624,064	7,564,886
<u>Fund Balances:</u>				
Reserved for Property Taxes	1,529,048	248,625	0	1,777,673
Reserved for Budget Stabilization	49,102	0	0	49,102
Reserved for Encumbrances	99,051	321,832	17,042	437,925
Unreserved, Reported in:				
General Fund	3,713,365	0	0	3,713,365
Special Revenue Funds (Deficit)	0	0	(255,528)	(255,528)
Debt Service Fund	0	0	316,667	316,667
Capital Projects Fund	0	125,162	0	125,162
Total Fund Balances	5,390,566	695,619	78,181	6,164,366
Total Liabilities and Fund Balances	\$11,421,919	\$1,605,088	\$702,245	\$13,729,252

See Accompanying Notes to the Basic Financial Statements

Delaware Area Career Center
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 June 30, 2003

Total Governmental Fund Balances \$6,164,366

Amounts reported for governmental activities on the
 statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds. 7,251,824

Other long-term assets are not available to pay for current
 period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	3,507	
Accrued Interest Receivable	16,694	
Intergovernmental Receivable	42,063	
Property Taxes Receivable	125,321	
	187,585	187,585

Intergovernmental payable includes contractually required
 pension contributions not expected to be paid with
 available expendable resources and, therefore, not
 reported in the funds. (4,500)

Some liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds:

Building Assistance Loan Payable	(316,667)	
Energy Conservation Loan Payable	(290,000)	
Compensated Absences Payable	(549,541)	
Capital Leases Payable	(97,040)	
	(1,253,248)	(1,253,248)

Net Assets of Governmental Activities \$12,346,027

See Accompanying Notes to the Basic Financial Statements

Delaware Area Career Center
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$6,286,430	\$997,820	\$0	\$7,284,250
Intergovernmental	3,671,900	121,072	1,154,737	4,947,709
Interest	86,428	0	266	86,694
Tuition and Fees	35,650	0	32,745	68,395
Extracurricular Activities	0	0	6,856	6,856
Charges for Services	0	0	212,301	212,301
Rent	42,848	0	0	42,848
Gifts and Donations	34,966	0	19,300	54,266
Miscellaneous	7,764	0	1,514	9,278
Total Revenues	<u>10,165,986</u>	<u>1,118,892</u>	<u>1,427,719</u>	<u>12,712,597</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	850,866	0	0	850,866
Vocational	4,102,616	25,073	942,981	5,070,670
Adult/Continuing	40,702	0	109,168	149,870
Support Services:				
Pupils	386,876	0	71,447	458,323
Instructional Staff	244,602	0	94,506	339,108
Board of Education	124,921	0	0	124,921
Administration	1,395,732	0	152,081	1,547,813
Fiscal	481,909	19,274	0	501,183
Operation and Maintenance of Plant	1,396,742	0	0	1,396,742
Pupil Transportation	19,927	0	0	19,927
Central	79,609	0	8,901	88,510
Non-Instructional Services	5,365	0	186,132	191,497
Extracurricular Activities	31,245	0	9,050	40,295
Capital Outlay	3,583	1,046,934	4,268	1,054,785
Debt Service:				
Principal Retirement	34,394	0	98,334	132,728
Interest and Fiscal Charges	5,894	0	18,104	23,998
Total Expenditures	<u>9,204,983</u>	<u>1,091,281</u>	<u>1,694,972</u>	<u>11,991,236</u>
Excess of Revenues Over (Under) Expenditures	<u>961,003</u>	<u>27,611</u>	<u>(267,253)</u>	<u>721,361</u>
<u>Other Financing Sources (Uses):</u>				
Inception of Capital Lease	41,306	0	0	41,306
Transfers In	0	0	189,014	189,014
Transfers Out	(517,193)	0	0	(517,193)
Total Other Financing Sources (Uses)	<u>(475,887)</u>	<u>0</u>	<u>189,014</u>	<u>(286,873)</u>
Change in Fund Balances	485,116	27,611	(78,239)	434,488
Fund Balances at Beginning of Year -				
Restated (Note 3)	4,905,450	668,008	156,420	5,729,878
Fund Balances at End of Year	<u>\$5,390,566</u>	<u>\$695,619</u>	<u>\$78,181</u>	<u>\$6,164,366</u>

See Accompanying Notes to the Basic Financial Statements

Delaware Area Career Center
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$434,488

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures.

However, on 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 outlay exceeds depreciation in the current year:

Capital Outlay - Construction in Progress	92,103	
Capital Outlay - Depreciable Capital Assets	654,314	
Depreciation	(321,908)	
		424,509

The cost of capital assets is removed from the capital asset account on the statement of net assets when disposed resulting in a loss on disposal of capital assets on the statement of activities. (12,242)

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

Property Taxes	2,130	
Intergovernmental	(5,464)	
Interest	1,961	
Tuition and Fees	(2,760)	
Miscellaneous	(401)	
		(4,534)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 132,728

The inception of capital lease is reported as an other financing source in governmental funds, but increases long-term liabilities on the statement of net assets. (41,306)

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(1,164)	
Compensated Absences Payable	(60,209)	
		(61,373)

Change in Net Assets of Governmental Activities \$872,270

See Accompanying Notes to the Basic Financial Statements

Delaware Area 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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$6,133,064	\$6,542,340	\$6,507,008	(\$35,332)
Intergovernmental	3,379,977	3,732,795	3,671,918	(60,877)
Interest	64,650	87,555	85,672	(1,883)
Tuition and Fees	39,945	39,945	35,650	(4,295)
Rent	31,559	31,719	41,821	10,102
Gifts and Donations	26,110	8,860	34,600	25,740
Miscellaneous	8,185	59,296	10,846	(48,450)
Total Revenues	<u>9,683,490</u>	<u>10,502,510</u>	<u>10,387,515</u>	<u>(114,995)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	877,406	865,857	849,393	16,464
Vocational	3,632,009	4,192,696	4,109,504	83,192
Adult/Continuing	42,010	41,200	40,136	1,064
Support Services:				
Pupils	369,439	390,359	383,958	6,401
Instructional Staff	270,065	253,281	243,038	10,243
Board of Education	200,739	174,932	154,637	20,295
Administration	1,424,977	1,456,003	1,423,894	32,109
Fiscal	591,962	529,852	487,229	42,623
Operation and Maintenance of Plant	1,471,129	1,468,424	1,405,875	62,549
Pupil Transportation	50,000	25,500	19,582	5,918
Central	69,410	117,977	84,161	33,816
Non-Instructional Services	8,000	8,515	5,365	3,150
Extracurricular Activities	36,954	34,349	32,333	2,016
Capital Outlay	0	32,040	31,038	1,002
Total Expenditures	<u>9,044,100</u>	<u>9,590,985</u>	<u>9,270,143</u>	<u>320,842</u>
Excess of Revenues Over Expenditures	<u>639,390</u>	<u>911,525</u>	<u>1,117,372</u>	<u>205,847</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	18,479	14,173	24,488	10,315
Advances In	0	150,000	0	(150,000)
Advances Out	(198,900)	(488,097)	(246,755)	241,342
Transfers Out	(272,590)	(423,439)	(423,051)	388
Total Other Financing Sources (Uses)	<u>(453,011)</u>	<u>(747,363)</u>	<u>(645,318)</u>	<u>102,045</u>
Change in Fund Balance	186,379	164,162	472,054	307,892
Fund Balance at Beginning of Year	3,084,005	3,084,005	3,084,005	0
Prior Year Encumbrances Appropriated	226,791	226,791	226,791	0
Fund Balance at End of Year	<u>\$3,497,175</u>	<u>\$3,474,958</u>	<u>\$3,782,850</u>	<u>\$307,892</u>

See Accompanying Notes to the Basic Financial Statements

Delaware Area Career Center
Statement of Fund Net Assets
Enterprise Fund
June 30, 2003

	Business-Type Activity
	Adult Education
<u>Assets:</u>	
<u>Current Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$41,747
Intergovernmental Receivable	36,700
Prepaid Items	4,282
Total Current Assets	82,729
 <u>Liabilities:</u>	
<u>Current Liabilities:</u>	
Accounts Payable	1,786
Accrued Wages and Benefits Payable	35,771
Intergovernmental Payable	19,971
Interfund Payable	58,495
Compensated Absences Payable	4,931
Total Current Liabilities	120,954
 <u>Long-Term Liabilities:</u>	
Compensated Absences Payable	7,722
Total Liabilities	128,676
 <u>Net Assets:</u>	
Unrestricted (Deficit)	(\$45,947)

See Accompanying Notes to the Basic Financial Statements

Delaware Area Career Center
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Enterprise Fund
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity
	Adult Education
<u>Operating Revenues:</u>	
Charges for Services	\$489,988
Other Operating Revenues	1,050
Total Operating Revenues	491,038
<u>Operating Expenses:</u>	
Salaries	630,989
Fringe Benefits	142,341
Purchased Services	42,983
Materials and Supplies	78,664
Other Operating Expenses	5,551
Total Operating Expenses	900,528
Operating Loss	(409,490)
<u>Non-Operating Revenues</u>	
Operating Grants	177,465
Loss Before Transfers	(232,025)
Transfers In	328,179
Change in Net Assets	96,154
Net Assets (Deficit) at Beginning of Year - Restated (Note 3)	(142,101)
Net Assets (Deficit) at End of Year	(\$45,947)

See Accompanying Notes to the Basic Financial Statements

Delaware Area Career Center
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity
	Adult Education
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flow from Operating Activities:</u>	
Cash Received from Customers	\$461,690
Cash Received from Other Revenues	1,050
Cash Payments for Salaries	(626,321)
Cash Payments for Fringe Benefits	(136,504)
Cash Payments for Goods and Services	(120,982)
Cash Payments for Other Expenses	(5,551)
Net Cash Used for Operating Activities	(426,618)
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Cash Received from Operating Grants	171,062
Cash Received from Transfers In	234,037
Cash Received from Advances In	58,495
Net Cash Provided by Noncapital Financing Activities	463,594
 Net Increase in Cash and Cash Equivalents	36,976
Cash and Cash Equivalents at Beginning of Year	4,771
Cash and Cash Equivalents at End of Year	\$41,747

(continued)

Delaware Area Career Center
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2003
(continued)

	Business-Type Activity
	Adult Education
Reconciliation of Operating Loss <u>to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$409,490)
Adjustments to Reconcile Operating Loss <u>to Net Cash Used for Operating Activities:</u>	
Changes in Assets and Liabilities:	
Increase in Intergovernmental Receivable	(28,298)
Increase in Prepaid Items	(2,125)
Increase in Accounts Payable	665
Increase in Accrued Wages and Benefits Payable	2,005
Increase in Intergovernmental Payable	5,796
Increase in Compensated Absences Payable	4,829
Net Cash Used for Operating Activities	(\$426,618)

Non-Cash Transactions

In prior fiscal years, the General Fund advanced resources to the Adult Education enterprise fund, in the amount of \$94,142. During fiscal year 2003, the Board of Education determined that these monies need not be repaid to the General Fund. The \$94,142 is reflected as a transfer in on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

See Accompanying Notes to the Basic Financial Statements

Delaware Area Career Center
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$751	\$49,477
<u>Liabilities:</u>		
Undistributed Assets	0	\$6,453
Due to Students	0	39,574
Due to External Parties	0	3,450
Total Liabilities	0	\$49,477
<u>Net Assets:</u>		
Held in Trust for Scholarships	751	
Total Net Assets	\$751	

See Accompanying Notes to the Basic Financial Statements

Delaware Area Career Center
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2003

	Private Purpose Trust
<u>Additions:</u>	
Interest	\$168
Gifts and Donations	1,895
Total Additions	2,063
 <u>Deductions:</u>	
Non-Instructional Services	14,521
Change in Net Assets	(12,458)
Net Assets Beginning of Year - Restated (Note 3)	13,209
Net Assets End of Year	\$751

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the Career Center and Reporting Entity

The Delaware Area Career Center (the “Career Center”) is a distinct political subdivision of the State of Ohio operated under the direction of a Board of Education consisting of one representative from each of the participating school districts’ elected boards. The Board possesses its own budgeting and taxing authority. The Career Center exposes students to job training skills leading to employment upon graduation from high school.

The Career Center was established in 1972. The Career Center serves Delaware and the surrounding counties. It is staffed by forty-four classified employees, seventy-four certified teaching personnel, and eleven administrative employees who provide services to six hundred eighty-five students and other community members. The Career Center currently operates two instructional/administration buildings.

Reporting Entity

A reporting entity is composed of the stand-alone government, component units, and other organizations that are included to insure the financial statements are not misleading. For reporting purposes, the Career Center consists of all funds, departments, boards, and agencies that are not legally separate from the Career Center. For Delaware Area Career Center, this includes general operations, food service, and student related activities of the Career Center.

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

The Career Center participates in three jointly governed organizations and two insurance pools. These organizations are the Tri-Rivers Educational Computer Association, Central Ohio Regional Professional Development Center, Central Ohio Special Education Regional Resource Center, Ohio School Plan, and Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 20 and 21 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Delaware Area Career Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Career Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. The Career Center does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its business-type activity or to its enterprise fund. Following are the more significant of the Career Center’s accounting policies.

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Career Center as a whole. These statements include the financial activities of the stand-alone government, except for fiduciary funds. The statements distinguish between those activities of the Career Center that are governmental in nature and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Career 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 Career Center's governmental activities and business-type activity. 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 and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Career Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the Career Center.

Fund Financial Statements

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

B. Fund Accounting

The Career 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 funds of the Career Center are reported in three categories: governmental, proprietary, and fiduciary.

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the Career Center 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 Career Center's two major governmental funds are the General Fund and the Permanent Improvement capital projects fund.

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 Career Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund - The Permanent Improvement capital projects fund accounts for levy collections used for the acquisition, construction, or improvement of capital facilities.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The Career Center reports one type of proprietary fund:

Enterprise Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Career Center has one major enterprise fund:

Adult Education - The Adult Education enterprise fund accounts for various classes provided to post high school age students.

Fiduciary Funds

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

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus

Government-Wide Financial Statements

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

Like the government-wide financial statements, the enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the Career Center finances and meets the cash flow needs of its enterprise fund.

The private purpose trust fund is accounted for using 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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the 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 Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Career Center, available means expected to be received within sixty days of fiscal year end.

Note 2 - Summary of Significant Accounting Policies (continued)

Nonexchange transactions, in which the Career Center receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Career Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Career Center on a reimbursement basis. On the 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 both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, student fees, charges for services, and rent.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, are 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 are reported as deferred revenue.

Expenses/Expenditures

On the accrual basis, 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, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function and object level within a fund are made by the Treasurer.

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

F. Cash and Investments

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

During fiscal year 2003, investments included nonnegotiable certificates of deposit, repurchase agreements, and STAR Ohio. Nonnegotiable certificates of deposit and repurchase agreements are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 was \$86,428, which includes \$16,524 assigned from other Career Center funds.

Investments of the Career Center's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Career Center are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is stated at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

Note 2 - Summary of Significant Accounting Policies (continued)

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund represent amounts required by State statute to be set aside to create a reserve for budget stabilization.

J. Capital Assets

All of the Career Center's capital assets are general capital assets resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Career Center maintains a capitalization threshold of two thousand five hundred dollars. The Career Center does not have 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 capital assets, except 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:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	25 years
Buildings and Building Improvements	10 - 100 years
Furniture, Fixtures, and Equipment	5 - 70 years
Vehicles	6 - 10 years

J. Interfund Assets/Liabilities

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances".

K. 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 the Career Center will compensate the employees for the benefits through time off or some other means. The Career Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund financial statements.

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Career Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations and federal and state grants restricted to expenditure for specified purposes.

The Career Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Career Center reserves those portions of fund balance 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, budget stabilization, and encumbrances.

Note 2 - Summary of Significant Accounting Policies (continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Career Center, these revenues are charges for services for adult education. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund. All revenues and expenses not meeting this definition are reported as non-operating.

P. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. Transfers within governmental activities are eliminated on the government-wide financial statements.

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 and after nonoperating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. 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 management and are either unusual in nature or infrequent in occurrence.

R. Estimates

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

Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Fund Equity

A. Change in Accounting Principles

For fiscal year 2003, the Career Center has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”.

GASB Statement No. 34 creates new basic financial statements for reporting on the Career Center’s financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management’s Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the Career Center uses for its legally adopted budget when significant budgetary perspective differences result in the Career Center not being able to present budgetary comparisons for the General Fund and each major special revenue fund. The implementation of this statement did not have any effect on the Career Center’s financial statements for fiscal year 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

For fiscal year 2003, the Career Center has increase the threshold amount for capitalizing capital assets. The threshold amount was increased from \$250 to \$2,500.

Delaware Area Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Fund Equity
(continued)

B. Restatement of Fund Balance/Fund Equity

The restatement due to the implementation of the above statements and interpretation had the following effect on fund balance of the major and nonmajor funds of the Career Center as they were previously reported. The transition from governmental fund balance to net assets of governmental activities is also presented:

	General	Permanent Improvement	Other Governmental	Total Governmental Activities
Fund Balance at June 30, 2002	\$4,905,450	\$668,008	\$152,237	\$5,725,695
GASB Statement No. 34 Adjustment:				
Change in Fund Structure	0	0	4,183	4,183
Adjusted Fund Balance	\$4,905,450	\$668,008	\$156,420	5,729,878
GASB Statement No. 34 Adjustments:				
Accounts Receivable				6,668
Accrued Interest Receivable				14,733
Intergovernmental Receivable				47,527
Property Taxes Receivable				123,191
Capital Assets				6,839,557
Intergovernmental Payable				(3,336)
Building Assistance Loan Payable				(350,001)
Energy Conservation Loan Payable				(355,000)
Compensated Absences Payable				(489,332)
Capital Leases Payable				(90,128)
Governmental Activities Net Assets at June 30, 2002				\$11,473,757

	Business-Type Activity	Private Purpose Trust
	Adult Education	
Fund Equity at June 30, 2002	(\$84,306)	\$0
GASB Statement No. 34 Adjustment:		
Change in Fund Structure	(57,795)	13,209
Adjusted Net Assets at June 30, 2002	(\$142,101)	\$13,209

Delaware Area Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 4 - Accountability and Compliance

A. Accountability

The following funds had deficit fund balances/net assets at June 30, 2003.

Fund Type/Fund	Deficit
Special Revenue Funds	
Rotary	\$2,216
Jobs for Ohios' Graduates (JOG)	282,189
Community Career Resource Center (CCRC)	1,529
Adult Basic Education - Federal (ABLE)	6,520
Enterprise Fund	
Adult Education	45,947

The deficit fund balances in the special revenue funds at June 30, 2003, resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficit net assets in the Adult Education enterprise fund is the result of accumulated operating losses from prior years and operating expenses continuing to exceed operating revenues. The Career Center is reviewing the operation of this fund.

B. Compliance

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2003.

Fund Type/Fund	Estimated Resources Plus Available Balances	Appropriations	Excess
Special Revenue Funds			
Rotary	\$193,060	\$196,615	\$3,555
Adult Basic Education - State (ABLE)	38,291	40,212	1,921

For the fiscal year ended June 30, 2003, the Jobs for Ohios' Graduates special revenue fund had expenditures in excess of appropriations, in the amount of \$324. The Treasurer is monitoring all budgetary controls to avoid future violations of budgetary compliance.

Delaware Area Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 5 - Budgetary Basis of Accounting

While the Career Center is reporting financial position, results of operations, and changes in fund balances 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 for the General Fund 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 the GAAP 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 liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Net Change in Fund Balance	
GAAP Basis	\$485,116
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2002, Received in Cash FY 2003	1,784,317
Accrued FY 2003, Not Yet Received in Cash	(1,538,289)
Expenditure Accruals:	
Accrued FY 2002, Paid in Cash FY 2003	(778,243)
Accrued FY 2003, Not Yet Paid in Cash	809,617
Cash Adjustments	
Unrecorded Activity FY 2003	(11)
Prepaid Items	(14,459)
Materials and Supplies Inventory	(2,828)
Advances Out	(246,755)
Transfers Out	94,142
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(120,553)
Budget Basis	\$472,054

Note 6 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Career 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 the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Delaware Area Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 6 - Deposits and Investments (continued)

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

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

At fiscal year end, the Career Center had \$50 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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

At fiscal year end, the carrying amount of the Career Center's deposits was \$1,588,426 and the bank balance was \$2,071,346. Of the bank balance, \$271,346 was covered by federal depository insurance and \$1,800,000 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Career Center to a successful claim by the FDIC.

The Career Center's investments are categorized to give an indication of the level of risk assumed by the Career Center at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the Career Center or its agent in the Career Center's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Career Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Career Center's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$555,162	\$555,162	\$555,162
STAR Ohio		2,902,512	2,902,512
Totals		\$3,457,674	\$3,457,674

Delaware Area Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 6 - Deposits and Investments (continued)

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$5,046,150	\$0
Cash on Hand	(50)	0
Investments:		
Repurchase Agreements	(555,162)	555,162
STAR Ohio	(2,902,512)	2,902,512
GASB Statement No. 3	\$1,588,426	\$3,457,674

Note 7 - Receivables

Receivables at June 30, 2003, consisted of accounts (rent, billings for user charged services, and student fees), accrued interest, intergovernmental, interfund, amounts due from external parties, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Delaware County	\$4,469
Delaware Union Educational Service Center	1,146
Total General Fund	5,615
	(continued)

Delaware Area Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 7 - Receivables (continued)

	Amount
Governmental Activities (continued)	
Other Governmental Funds	
Food Service	\$1,197
Public School Support	1,200
Jobs for Ohios' Graduates (JOG)	23,176
Career Education	5,449
High Schools that Work	3,750
Adult Basic Education - Federal (ABLE)	68,468
Vocational Education Planning District (VEPD)	22,979
Work Investment Act	38,636
Total Other Governmental Funds	164,855
Total Governmental Activities	170,470
Business-Type Activity	
Adult Education	36,700
Total Intergovernmental Receivables	\$207,170

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the Career Center. Real property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Delaware Area Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 8 - Property Taxes (continued)

Public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien on December 31, 2001, were levied after April 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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 Career Center prior to June 30. This year the settlement was delayed beyond fiscal year end.

The Career Center receives property taxes from Delaware, Franklin, Marion, Morrow, and Union Counties. The County Auditors periodically advance to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2003, and for which there was 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 reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$1,529,048 in the General Fund and \$248,625 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$1,749,622 in the General Fund and \$289,335 in the Permanent Improvement capital projects fund.

The late tax settlement made by the counties for fiscal year 2003 was \$73 in the General Fund and \$10 in the Permanent Improvement capital projects fund. For fiscal year 2002, these amounts were \$77 in the General Fund and \$11 in the Permanent Improvement capital projects fund.

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

Delaware Area Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 8 - Property Taxes (continued)

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

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,447,914,970	88.45%	\$2,957,145,710	88.48%
Public Utility	92,205,430	3.33	124,370,940	3.72
Tangible Personal	227,390,418	8.22	260,851,571	7.80
Total Assessed Value	<u>\$2,767,510,818</u>	<u>100.00%</u>	<u>\$3,342,368,221</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$3.20		\$3.20	

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$662,718	\$0	\$0	\$662,718
Construction in Progress	0	92,103	0	92,103
Total Nondepreciable Capital Assets	<u>662,718</u>	<u>92,103</u>	<u>0</u>	<u>754,821</u>
Depreciable Capital Assets				
Land Improvements	187,337	0	0	187,337
Buildings and Building Improvements	6,107,544	480,182	0	6,587,726
Furniture, Fixtures, and Equipment	1,478,086	174,132	(42,040)	1,610,178
Vehicles	237,238	0	0	237,238
Total Depreciable Capital Assets	<u>8,010,205</u>	<u>654,314</u>	<u>(42,040)</u>	<u>8,622,479</u>
Less Accumulated Depreciation				
Land Improvements	(23,104)	(7,494)	0	(30,598)
Buildings and Building Improvements	(1,030,774)	(140,268)	0	(1,171,042)
Furniture, Fixtures, and Equipment	(727,614)	(149,789)	29,798	(847,605)
Vehicles	(51,874)	(24,357)	0	(76,231)
Total Accumulated Depreciation	<u>(1,833,366)</u>	<u>(321,908)</u>	<u>29,798</u>	<u>(2,125,476)</u>
Depreciable Capital Assets, Net	<u>6,176,839</u>	<u>332,406</u>	<u>(12,242)</u>	<u>6,497,003</u>
Governmental Activities Capital Assets, Net	<u>\$6,839,557</u>	<u>\$424,509</u>	<u>(\$12,242)</u>	<u>\$7,251,824</u>

Delaware Area Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 9 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$14,291
Vocational	210,559
Adult/Continuing	4,924
Support Services:	
Pupils	1,768
Instructional Staff	5,815
Board of Education	1,953
Administration	25,069
Operation and Maintenance of Plant	36,939
Central	2,444
Non-Instructional Services	18,146
Total Depreciation Expense	<u><u>\$321,908</u></u>

Note 10 - Interfund Assets/Liabilities

Interfund balances at June 30, 2003, consisted of the following individual fund receivables and payables:

Due to General Fund from:	
Rotary	\$55,345
Public School Support	1,867
Jobs for Ohios' Graduates (JOG)	296,607
Community Career Resource Center (CCRC)	1,529
Miscellaneous State Grants	3,750
Adult Basic Education - Federal (ABLE)	68,468
Eisenhower	122
Vocational Educational Planning District (VEPD)	44,435
Title VI	1,970
Work Investment Act	38,636
Adult Education	58,495
Total General Fund	<u><u>\$571,224</u></u>

The balance due to the General Fund includes loans made to provide cash flow resources until the receipt of grant monies by the special revenue funds and enterprise fund. The entire balance is scheduled to be collected within one year.

Delaware Area Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 11 - Risk Management

The Career Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the Career Center contracted for the following insurance coverage:

Coverage provided by Ohio School Plan is as follows:

Automobile Liability	\$1,000,000
General School District Liability	
Per Occurrence	1,000,000
Total Per Year	3,000,000

Coverage provided by Twin City Fire Insurance Company is as follows:

Buildings and Contents	24,087,000
------------------------	------------

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2003, the Career Center participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2003, the Career Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Career 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 Plan 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 & Co. provides administrative, cost control, and actuarial services to the GRP.

Delaware Area Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 12 - Contractual Commitments

The Career Center has several outstanding contracts for professional services. The following amounts remained on these contracts at June 30, 2003:

Vendor	Contract Amount	Amount Paid as of 6/30/03	Outstanding Balance
Knights Electric Company	\$214,938	\$0	\$214,938
Guknecht Construction	780,000	0	780,000
Simco Electric	63,837	0	63,837
Cinfab, Inc.	63,100	0	63,100
Holdridge Mechanics	52,450	0	52,450
	<u>\$1,174,325</u>	<u>\$0</u>	<u>\$1,174,325</u>

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The Career Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. 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 balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of 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 DCP 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.

Note 13 - Defined Benefit Pension Plans (continued)

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the Career Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Career Center's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2003, 2002, and 2001 was \$434,101, \$292,930, and \$419,174, respectively; 75 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$674 made by the Career Center and \$5,211 made by plan members.

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9 percent of their annual covered salary and the Career Center was required to contribute an actuarially determined rate. The rate for fiscal year 2003 was 14 percent of annual covered payroll; 8.17 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Career Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$151,070, \$92,276, and \$70,501, respectively; 100 percent has been contributed for all three fiscal years.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2003, one of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

The Career Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

Note 14 - Postemployment Benefits (continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Career Center, this amount was \$33,444.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 billion at June 30, 2003. For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000, and STRS had 108,294 eligible benefit recipients.

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

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the Career Center, the amount to fund health care benefits, including the surcharge, was \$112,302 for fiscal year 2003.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003, were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 15 - Other Employee Benefits

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred seventy days for all school personnel. Upon retirement, teachers, administrators, and classified employees with more than ten years of service are paid for one-half of their accrued, but unused sick leave credit to a maximum of eighty-five days. Teachers, administrators, and classified employees with less than ten years of service are paid eight and one-half days of their accrued, but unused sick leave credit for each year of service as long as they have already qualified for retirement under the State Teachers Retirement System (STRS) or School Employees Retirement System (SERS).

Delaware Area Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 15 - Other Employee Benefits (continued)

B. Health Care Benefits

The Career Center offers health insurance to most employees through United Health Care of Ohio. Dental insurance is offered through Delta Dental, and life insurance is offered through Jefferson Pilot. Vision insurance is offered through Vision Service Plan. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

Note 16 - Long-Term Obligations

Changes in the Career Center's long-term obligations during fiscal year 2003 were as follows:

	Restated Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03	Amounts Due Within One Year
Governmental Activities					
Building Assistance Loan FY 1997 0.000%	\$350,001	\$0	\$33,334	\$316,667	\$33,334
Energy Conservation Loan FY 1998 5.100%	355,000	0	65,000	290,000	65,000
Compensated Absences Payable	489,332	70,499	10,290	549,541	59,483
Capital Leases Payable	90,128	41,306	34,394	97,040	36,247
Total Governmental Activities Long-Term Obligations	<u>\$1,284,461</u>	<u>\$111,805</u>	<u>\$143,018</u>	<u>\$1,253,248</u>	<u>\$194,064</u>
Business-Type Activities					
Compensated Absences Payable	<u>\$7,824</u>	<u>\$4,829</u>	<u>\$0</u>	<u>\$12,653</u>	<u>\$4,931</u>

FY 1997 Building Assistance Loan - On May 19, 1997, the Career Center obtained an interest free loan, in the amount of \$500,000, for remodeling school facilities. The loan was obtained under the authority of Ohio Revised Section 3317.22, for a sixteen year period, with final maturity during fiscal year 2013. The loan is being retired through the Bond Retirement debt service fund.

FY 1998 Energy Conservation Loan - On July 17, 1997, the Career Center obtained a loan, in the amount \$628,839, for providing energy conservation for the Career Center. The loan was obtained for a nine year period, with final maturity during fiscal year 2007. The loan is being retired through the Bond Retirement debt service fund.

Delaware Area Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 16 - Long-Term Obligations (continued)

Compensated absences will be paid from the General Fund, Jobs for Ohios' Graduates special revenue fund, and the Adult Education enterprise fund. The capital leases will be paid from the General Fund.

The Career Center's overall debt margin was \$300,813,140 with an unvoted debt margin of \$3,342,368 at June 30, 2003.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2003, were as follows:

Fiscal Year Ending	Building Assistance Loan	Energy Conservation Loan	
	Principal	Principal	Interest
2004	\$33,334	\$65,000	\$14,790
2005	33,334	70,000	11,475
2006	33,334	75,000	7,905
2007	33,334	80,000	4,080
2008	33,334	0	0
2009-2013	149,997	0	0
Totals	<u>\$316,667</u>	<u>\$290,000</u>	<u>\$38,250</u>

Note 17 - Capital Lease - Lessee Disclosure

The Career Center has entered into capital leases for copiers and a measuring system and frame rack. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Vocational" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2003 were \$34,394 in the governmental funds.

	Governmental Activities
Property under Capital Lease	\$165,543
Less Accumulated Depreciation	(57,081)
Total June 30, 2003	<u>\$108,462</u>

Delaware Area Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 17 - Capital Lease - Lessee Disclosure (continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2004	\$36,247	\$4,042
2005	31,813	2,214
2006	26,848	662
2007	2,132	26
Total	<u>\$97,040</u>	<u>\$6,944</u>

Note 18 - Set Asides

The Career 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 fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the Career Center was also required to set aside money for budget stabilization. At June 30, 2003, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2002.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2002	(\$134,441)	\$0	\$49,102
Current Year Set Aside Requirement	67,236	67,236	0
Current Year Offsets	0	(67,236)	0
Qualifying Expenditures	(184,394)	0	0
Amount Carried Forward to Fiscal Year 2004	<u>(\$251,599)</u>	<u>\$0</u>	<u>\$49,102</u>
Set Aside Reserve Balance June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$49,102</u>

The Career Center had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

Note 19 - Interfund Transfers

During fiscal year 2003, the General Fund made transfers to the other governmental funds, in the amount of \$189,014, as debt payments came due and to subsidize activities of those funds. The General Fund also made transfers to the Adult Education enterprise fund, in the amount of \$328,179, to support the operations of adult education.

Note 20 - Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association

The Career Center is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization 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. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2003, the Career Center paid \$20,668 to TRECA for various services. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

B. Central Ohio Regional Professional Development Center

The Central Ohio Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Delaware, Licking, Franklin, Madison, Pickaway, and Union Counties. The Center was formed to advance the State Board of Education's mission that all students can learn by creating a high performance system of education. The Center's purpose is to provide long-term ongoing meaningful professional development for all educators and school support personnel. The Center is governed by a twenty-two member Board made up of representatives from the participating school districts, the business community, and three institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Hugh Garside, Southwestern City School District, 2975 Kingston Avenue, Grove City, Ohio 43123.

C. Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a one hundred five member board including the superintendent from the eighty-nine participating school districts, two representatives from a non-public school, six representatives from participating educational service centers, two representatives from the Department of Youth Services, five representatives from special education facilities, and one parent of children with disabilities. The degree of control exercised by any participating educational entity is limited to its representative on the Board. Financial information can be obtained from Central Ohio Special Education Regional Resource Center, 470 Glenmont Avenue, Columbus, Ohio 43214.

Note 21 - Insurance Pools

A. Ohio School Plan

The Career Center participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The Career Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP) was established as 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 a coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 22 - State School Funding Decision

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

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

Note 23 - Contingencies

A. Grants

The Career 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 Career Center at June 30, 2003.

Note 23 - Contingencies (continued)

B. Litigation

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

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>United States Department of Agriculture</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	NA	10.550	\$ -	\$ 1,459	\$ -	\$ 1,459
National School Lunch Program	050989-LLP4-2002/2003	10.555	<u>8,797</u>		<u>8,797</u>	-
<i>Total Nutrition Cluster/Total United States Department of Agriculture</i>			8,797	1,459	8,797	1,459
<u>United States Department of Education</u>						
Federal Pell Grant Program	N/A	84.063	4,624		4,624	
<i>Passed Through Ohio Department of Education:</i>						
Adult Education_State Grant Program	050989-AB-S1/S2-2002/2003	84.002	15,170	-	87,764	-
Vocational Education_Basic Grants to States	VECPII/VEAR-S2001/2002/2003-031	84.048	194,428	-	172,967	
Eisenhower Professional Development State Grants	050989-MS-S1-2001/2002	84.281	-	-	1,308	-
Safe and Drug-Free Schools and Communities_State Grants	050989-DRS1-2003	84.186	192		-	
Innovative Educational Program Strategies	050989-C2-S1-2001/2002/2003	84.298	2,547	-	2,547	-
Improving Teacher Quality State Grants	050989-TRS1-2003	84.367	<u>506</u>	-	-	-
<i>Total United States Department of Education</i>			217,467	-	269,210	-
<u>United States Department of Labor</u>						
<i>Passed Through Ohio Department of Education:</i>						
Workforce Investment Act - Adult	050989-WF-J2-2003	17.258	116,209	-	154,845	-
<u>Corporation for National and Community Service</u>						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America_School and Community Based Programs	050989-SV-S2-2001	94.004	<u>-</u>	<u>-</u>	<u>2,405</u>	<u>-</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 342,473</u>	<u>\$ 1,459</u>	<u>\$ 435,257</u>	<u>\$ 1,459</u>

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

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—CHILD NUTRITION CLUSTER

Program regulations do not require the Center to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Delaware Area Career Center
Delaware County
4565 Columbus Pike
Delaware, Ohio 43015

To the Board of Education:

We have audited the financial statements of the Delaware Area Career Center, Delaware County, Ohio, (the Center) as of and for the year ended June 30, 2003, and have issued our report thereon dated May 11, 2004, wherein we noted the Center adopted Governmental Accounting Standards Board Statement No. 34 and changed its capitalization threshold. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Center in a separate letter dated May 11, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Center in a separate letter dated May 11, 2004.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Delaware Area Career Center
Delaware County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 11, 2004



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Delaware Area Career Center
Delaware County
4565 Columbus Pike
Delaware, Ohio 43015

To The Board of Education:

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 each of its major federal programs for the year ended June 30, 2003. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to management of the Center in a separate letter dated May 11, 2004.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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 internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Center's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2003-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted a matter involving the internal control over federal compliance that does not require inclusion in this report that we have reported to management of the Center in a separate letter dated May 11, 2004.

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



Betty Montgomery
Auditor of State

May 11, 2004

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Adult Education_State Grant Program CFDA 84.002 Vocational Education_Basic Grants to States CFDA 84.048
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2003-001

Eligibility – ABLE Program

Each individual who participates in the ABLE program is required to complete a student registration form. This registration form is reviewed by a member of the ABLE staff after completion to ensure accuracy, and is then initialed to note review and approval.

Thirty percent of the student registration forms tested were not initialed by a member of the ABLE staff documenting the registration form had been reviewed and approved. By not approving each registration form, federal funds could be used on individuals who are not eligible to receive service.

Each individual file should contain the participant's BEST test score or TABE test score; whichever is applicable to that certain participant. The test scores are used to determine each participant's current skill level in order to place them in the correct learning environment.

Thirteen percent of the participant files tested did not contain a test score. With no test score, the ABLE staff is not aware of what skill levels an individual has in order to place them in the correct learning environment and also does not know if the individual qualifies as an eligible ABLE participant.

If a participant is under the age of 18, the individual must have been legally withdrawn from school by either a parent or guardian. This participant's file should contain the proper documentation noting the individual had been legally withdrawn from school.

Three percent of participant files tested did not have the proper documentation needed to ensure the student had been properly withdrawn from school. With no proper documentation, the ABLE program risks using federal dollars to teach an individual who should be in their local high school.

We recommend that oversight controls over eligibility be enhanced to ensure ABLE program objectives are being adhered to and federal money is being properly spent.



**Auditor of State
Betty Montgomery**

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DELAWARE AREA CAREER CENTER

DELAWARE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 10, 2004**