



**Auditor of State  
Betty Montgomery**



**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	22
Statement of Fund Net Assets - Proprietary Fund.....	23
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund.....	24
Statement of Cash Flows - Proprietary Fund.....	25
Statement of Fiduciary Net Assets - Fiduciary Funds.....	26
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds .....	27
Notes to the Basic Financial Statements .....	29
Independent Accountants' Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	55
Schedule of Prior Audit Findings.....	57

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

The 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, 2005, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, 2005, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2005, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

December 21, 2005

**DELAWARE AREA CENTER  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The discussion and analysis of the Delaware Area Career Center's (the "Career Center") financial performance provides an overall review of the Career Center's financial activities for the fiscal year ended June 30, 2005. 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 the notes to the basic financial statements to enhance their understanding of the Career Center's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- \$ In total, net assets increased \$2,202,321. Net assets of governmental activities increased \$2,294,989, which represents a 17.21% increase from 2004. Net assets of business-type activities decreased \$92,668 or 216.55% from 2004.
- \$ Governmental activities general revenues accounted for \$12,981,774 in revenue or 88.58% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,674,099 or 11.42% of total revenues of \$14,655,873.
- \$ The Career Center had \$12,077,884 in expenses related to governmental activities; only \$1,674,099 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,981,774 were adequate to provide for these programs.
- \$ The Career Center had \$1,167,924 in expenses related to business-type activities; \$792,256 of these expenses were offset by program specific charges for services and grants and contributions. Program revenues supporting business-type activities of \$792,256 were not adequate to support these programs, which was the reason for the transfer from the general fund.
- \$ The Career Center's major governmental funds are the general fund and permanent improvement fund. The general fund had \$12,514,207 in revenues and other financing sources and \$10,584,253 in expenditures and other financing uses. The general fund's fund balance increased \$1,929,954 from \$5,388,975 to \$7,318,929.
- \$ The permanent improvement fund had \$1,429,125 in revenues and \$1,294,399 in expenditures. The permanent improvement fund's fund balance increased from \$283,989 to \$418,715.

**Using the Basic Financial Statements (BFS)**

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

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

**DELAWARE AREA CENTER  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**Reporting the Career Center as a Whole**

***Statement of Net Assets and the Statement of Activities***

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

These two statements report the Career Center's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Career Center as a whole, the *financial position* of the Career Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Career Center's property tax base, current property tax laws in Ohio 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 is divided into two distinct kinds of activities:

Governmental Activities - Most of the Career Center's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Business-Type Activities - These services are provided on charges for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The Career Center's adult education program is reported as business activities.

The Career Center's statement of net assets and statement of activities can be found on pages 15-17 of this report.

**Reporting the Career Center's Most Significant Funds**

***Fund Financial Statements***

The analysis of the Career Center's major governmental funds begins on page 10 and the analysis of the Career Center's major enterprise fund begins on page 10. Fund financial reports provide detailed information about the Career Center's major funds. The Career Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Career Center's most significant funds. The Career Center's major governmental funds are the general fund and permanent improvement fund.



**DELAWARE AREA CENTER  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

***Governmental Funds***

Most of the Career Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the Career Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 18-22 of this report.

***Proprietary Funds***

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the Career Center as a whole. The basic proprietary fund financial statements can be found on pages 23-25 of this report.

**Reporting the Career Center's Fiduciary Responsibilities**

The Career Center is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The Career Center also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. All of the Career Center's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 26 and 27. These activities are excluded from the Career Center's other financial statements because the assets cannot be utilized by the Career Center to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 28-54 of this report.

**The Career Center as a Whole**

The Statement of Net Assets provides the perspective of the Career Center as a whole. The table below provides a summary of the Career Center's net assets for 2005 and 2004.

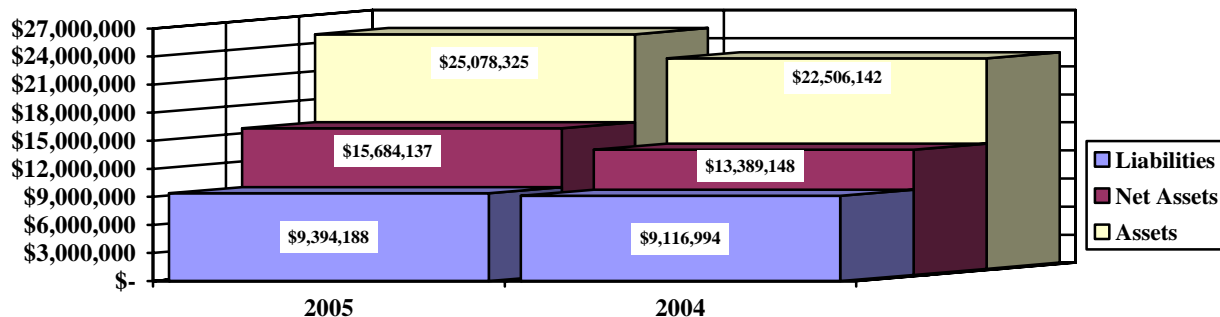
**DELAWARE AREA CENTER  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b><u>Assets</u></b>						
Current assets	\$ 16,657,886	\$ 14,291,387	\$ 61,748	\$ 109,575	\$ 16,719,634	\$ 14,400,962
Capital assets, net	8,420,439	8,214,755	-	-	8,420,439	8,214,755
<b>Total assets</b>	<b>25,078,325</b>	<b>22,506,142</b>	<b>61,748</b>	<b>109,575</b>	<b>25,140,073</b>	<b>22,615,717</b>
<b><u>Liabilities</u></b>						
Current liabilities	8,248,880	7,982,072	94,154	53,078	8,343,034	8,035,150
Long-term liabilities	1,145,308	1,134,922	17,469	14,704	1,162,777	1,149,626
<b>Total liabilities</b>	<b>9,394,188</b>	<b>9,116,994</b>	<b>111,623</b>	<b>67,782</b>	<b>9,505,811</b>	<b>9,184,776</b>
<b><u>Net Assets</u></b>						
Invested in capital assets, net of related debt	7,913,160	7,645,629	-	-	7,913,160	7,645,629
Restricted	780,301	663,088	-	-	780,301	663,088
Unrestricted	6,990,676	5,080,431	(49,875)	42,793	6,940,801	5,123,224
<b>Total net assets</b>	<b>\$ 15,684,137</b>	<b>\$ 13,389,148</b>	<b>\$ (49,875)</b>	<b>\$ 42,793</b>	<b>\$ 15,634,262</b>	<b>\$ 13,431,941</b>

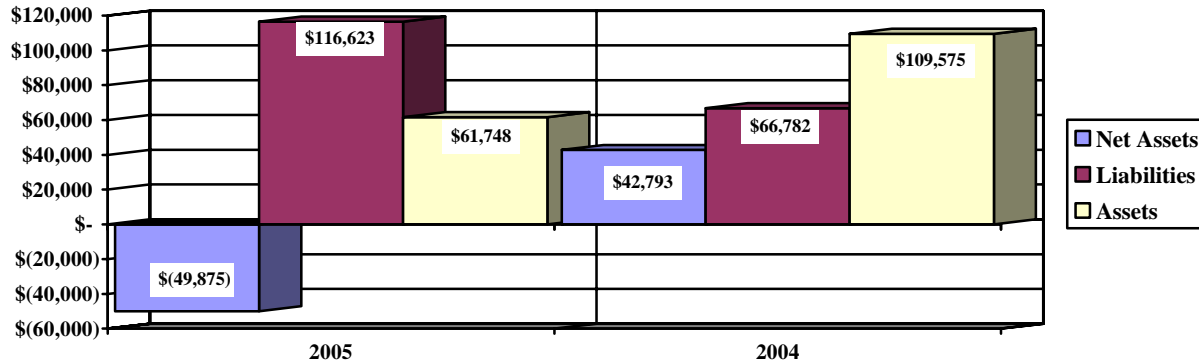
**Governmental - Net Assets**



**DELAWARE AREA CENTER  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**Business-Type - Net Assets**



The table below shows the changes in net assets for governmental activities and business-type activities for fiscal years 2005 and 2004.

**Change in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 1,242,134	\$ 456,435	\$ 634,946	\$ 703,111	\$ 1,877,080	\$ 1,159,546
Operating grants and contributions	431,965	1,177,362	157,310	158,422	589,275	1,335,784
General revenues:						
Property taxes	9,425,256	7,078,796	-	-	9,425,256	7,078,796
Grants and entitlements	3,302,526	3,244,116	-	-	3,302,526	3,244,116
Payment in lieu of taxes	6,540	6,629	-	-	6,540	6,629
Investment earnings	175,431	65,057	-	-	175,431	65,057
Other	72,021	42,550	-	-	72,021	42,550
<b>Total revenues</b>	<u>14,655,873</u>	<u>12,070,945</u>	<u>792,256</u>	<u>861,533</u>	<u>15,448,129</u>	<u>12,932,478</u>

**DELAWARE AREA CENTER  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b><u>Expenses</u></b>						
Program expenses:						
Instruction:						
Regular	\$ 872,061	\$ 881,305	\$ -	\$ -	\$ 872,061	\$ 881,305
Vocational	5,089,343	4,905,627	-	-	5,089,343	4,905,627
Adult/continuing education	121,821	123,553	-	-	121,821	123,553
Other	8,190	18,057	-	-	8,190	18,057
Support services:						
Pupil	604,607	495,434	-	-	604,607	495,434
Instructional staff	213,958	337,746	-	-	213,958	337,746
Board of Education	88,352	116,964	-	-	88,352	116,964
Administration	1,422,875	1,532,175	-	-	1,422,875	1,532,175
Fiscal	453,557	449,773	-	-	453,557	449,773
Business	1,421	1,443	-	-	1,421	1,443
Operations and maintenance	2,234,388	1,196,815	-	-	2,234,388	1,196,815
Pupil transportation	19,418	14,161	-	-	19,418	14,161
Central	457,620	478,315	-	-	457,620	478,315
Operation of						
non-instructional services	290,227	44,800	-	-	290,227	44,800
Extracurricular activities	21,730	14,450	-	-	21,730	14,450
Interest and fiscal charges	18,944	18,832	-	-	18,944	18,832
Food service operations	159,372	168,374	-	-	159,372	168,374
Adult education	-	-	1,167,924	1,002,793	1,167,924	1,002,793
Total expenses	<u>12,077,884</u>	<u>10,797,824</u>	<u>1,167,924</u>	<u>1,002,793</u>	<u>13,245,808</u>	<u>11,800,617</u>
Transfers	<u>(283,000)</u>	<u>(230,000)</u>	<u>283,000</u>	<u>230,000</u>	<u>-</u>	<u>-</u>
Changes in net assets	2,294,989	1,043,121	(92,668)	88,740	2,202,321	1,131,861
Net assets at beginning of year	<u>13,389,148</u>	<u>12,346,027</u>	<u>42,793</u>	<u>(45,947)</u>	<u>13,431,941</u>	<u>12,300,080</u>
Net assets at end of year	<u>\$ 15,684,137</u>	<u>\$ 13,389,148</u>	<u>\$ (49,875)</u>	<u>\$ 42,793</u>	<u>\$ 15,634,262</u>	<u>\$ 13,431,941</u>

**Governmental Activities**

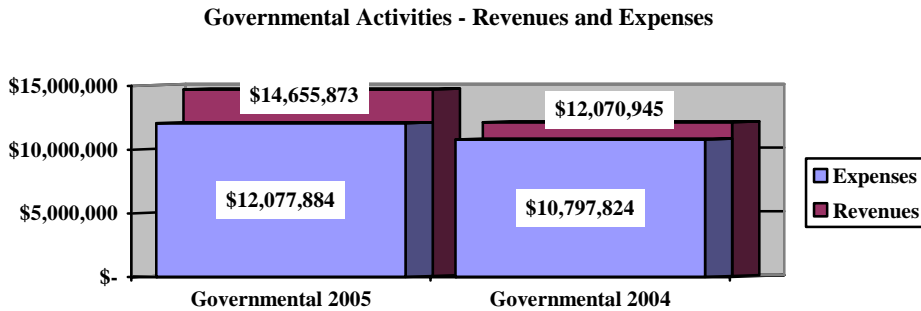
Net assets of the Career Center's governmental activities increased \$2,294,989. Total governmental expenses of \$12,077,884 were offset by program revenues of \$1,674,099 and general revenues of \$12,981,774. Program revenues supported 13.86% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 86.84% of total governmental revenue. Real estate property is reappraised every six years.

**DELAWARE AREA CENTER  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

The graph below presents the Career Center's governmental activities revenue and expenses for fiscal years 2005 and 2004.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2005 and 2004. It identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

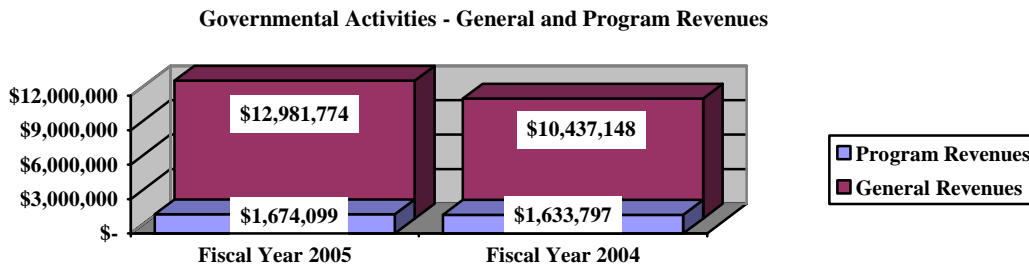
	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program expenses:				
Instruction:				
Regular	\$ 872,061	\$ 839,419	\$ 881,305	\$ 815,155
Vocational	5,089,343	3,789,212	4,905,627	3,733,583
Adult/continuing education	121,821	54,815	123,553	41,519
Other	8,190	8,190	18,057	18,057
Support services:				
Pupil	604,607	479,554	495,434	457,019
Instructional staff	213,958	199,679	337,746	254,260
Board of Education	88,352	88,352	116,964	116,964
Administration	1,422,875	1,421,451	1,532,175	1,510,808
Fiscal	453,557	453,557	449,773	449,773
Business	1,421	1,421	1,443	1,443
Operations and maintenance	2,234,388	2,234,388	1,196,815	1,140,107
Pupil transportation	19,418	19,418	14,161	14,161
Central	457,620	432,942	478,315	460,315
Operation of non-instructional services	290,227	290,227	44,800	44,800
Extracurricular activities	21,730	4,306	14,450	2,301
Food service operations	159,372	67,910	168,374	84,930
Interest and fiscal charges	18,944	18,944	18,832	18,832
<b>Total expenses</b>	<b><u>\$ 12,077,884</u></b>	<b><u>\$ 10,403,785</u></b>	<b><u>\$ 10,797,824</u></b>	<b><u>\$ 9,164,027</u></b>

**DELAWARE AREA CENTER  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

The dependence upon tax revenues during fiscal year 2005 for governmental activities is apparent, as 77.02% of 2005 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support was 86.14% in 2005. The Career Center's taxpayers, as a whole, is by far the primary support for Career Center's students.

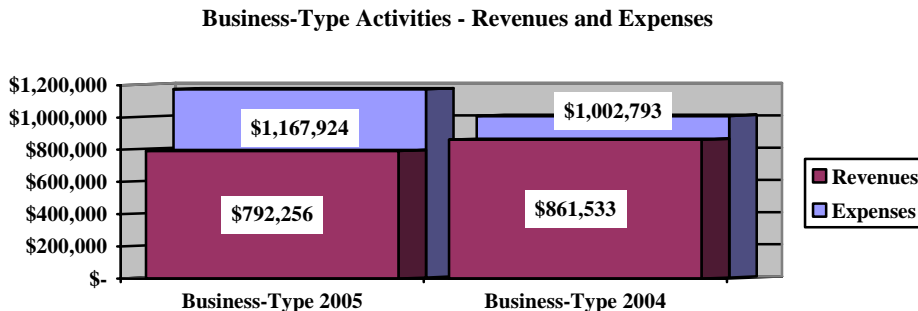
The graph below presents the Career Center's governmental activities revenue for fiscal years 2005 and 2004.



**Business-Type Activities**

The adult education program provides the business-type activities. This program had revenues of \$792,256 and expenses of \$1,167,924 for fiscal year 2005. During fiscal year 2005, the adult education program received transfers of \$283,000. The Career Center took steps to reduce expenses in the adult education program, including renegotiating vendor agreements. The Career Center's business activities receive no support from tax revenues.

The graph below presents the Career Center's business type activities revenue and expenses for fiscal years 2005 and 2004.



**The Career Center's Funds**

The Career Center's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$8,054,327, which is above last year's total of \$5,988,810. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

**DELAWARE AREA CENTER  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

	<u>Fund Balance June 30, 2005</u>	<u>Fund Balance June 30, 2004</u>	<u>Increase</u>
General	\$ 7,318,929	\$ 5,388,975	\$ 1,929,954
Permanent Improvement	418,715	283,989	134,726
Other Governmental	<u>316,683</u>	<u>315,846</u>	<u>837</u>
<b>Total</b>	<b><u>\$ 8,054,327</u></b>	<b><u>\$ 5,988,810</u></b>	<b><u>\$ 2,065,517</u></b>

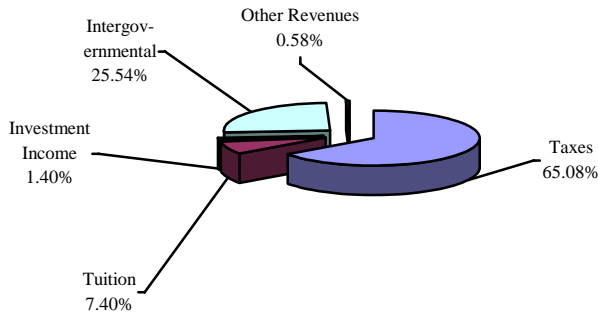
**General Fund**

The Career Center's general fund balance increased by \$1,929,954. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

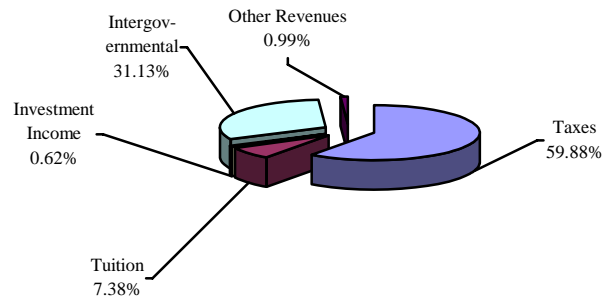
	<u>2005 Amount</u>	<u>2004 Amount</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 8,091,720	\$ 6,013,898	34.55 %
Tuition	919,888	741,563	24.05 %
Interest earnings	173,764	61,844	180.97 %
Intergovernmental	3,175,561	3,126,831	1.56 %
Other revenues	<u>72,030</u>	<u>99,336</u>	(27.49) %
<b>Total</b>	<b><u>\$ 12,432,963</u></b>	<b><u>\$ 10,043,472</u></b>	<b>23.79 %</b>

The most significant increase in revenues occurred in interest earnings which were due to an increased interest and an increase in investments by the Career Center. Taxes increased due to an increase in tax advances available and an increase of 9% in the assessed values. Tuition increased due to the Career Center's open enrollment.

**Revenues - Fiscal Year 2005**



**Revenues - Fiscal Year 2004**



**DELAWARE AREA CENTER  
DELAWARE COUNTY**

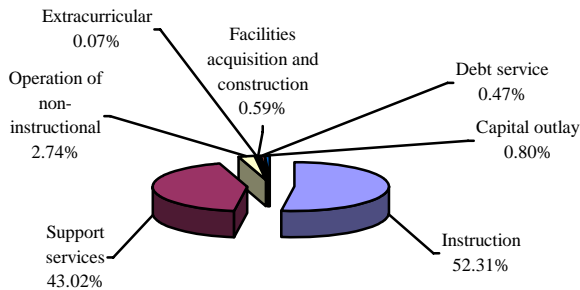
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

The table that follows assists in illustrating the expenditures of the general fund.

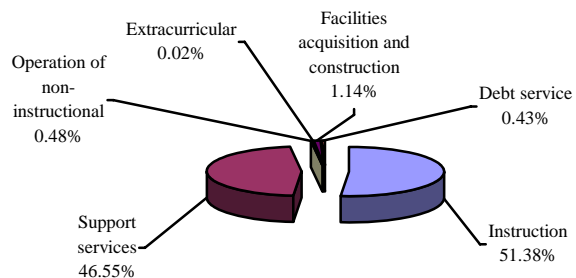
<b>Expenditures</b>	<u>2005 Amount</u>	<u>2004 Amount</u>	<u>Percentage Change</u>
Instruction	\$ 5,310,971	\$ 4,823,470	10.11 %
Support services	4,368,047	4,370,057	(0.05) %
Operation of non-instructional services	278,033	44,800	520.61 %
Extracurricular activities	7,402	1,988	272.33 %
Capital outlay	81,244	-	100.00 %
Facilities acquisition and construction	59,617	107,384	(44.48) %
Debt Service	<u>47,227</u>	<u>40,289</u>	17.22 %
<b>Total</b>	<b><u>\$ 10,152,541</u></b>	<b><u>\$ 9,387,988</u></b>	<b>8.14 %</b>

The most significant increase was in the area of operation of non-instructional. This increase is primarily due to the Career Center providing more services.

**Expenditures - Fiscal Year 2005**



**Expenditures - Fiscal Year 2004**



**Permanent Improvement Fund**

The permanent improvement fund had \$1,429,125 in revenues and \$1,294,399 in expenditures. The permanent improvement fund's fund balance increased \$134,726 from \$283,989 to \$418,715. The primary reason for the increase was due to an increase in tax revenues.

**General Fund Budgeting Highlights**

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

During the course of fiscal 2005, the Career Center amended its general fund budget numerous times, none significant. The Career Center uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$11,566,806, above original budget estimates of \$11,344,963. Actual revenues and other financing sources were \$11,853,677 this was \$286,871 above final budgeted revenues and other financing sources.



**DELAWARE AREA CENTER  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

General fund original appropriations (expenditures and other financing uses) of \$10,810,738 were increased to \$11,210,735 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$10,606,445 which was \$604,290 less than the final budget appropriations, primarily because vocational costs proved to be lower than anticipated in the original and final budget.

**Capital Assets and Debt Administration**

**Capital Assets**

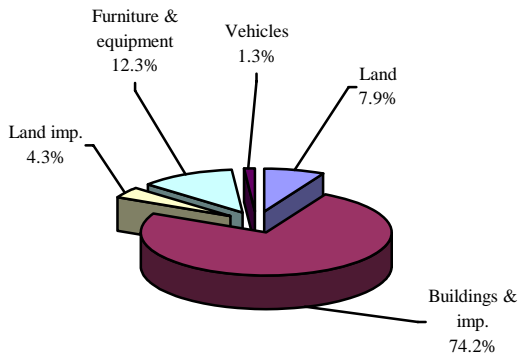
At the end of fiscal 2005, the Career Center had \$8,420,439 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. The total amount was reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

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

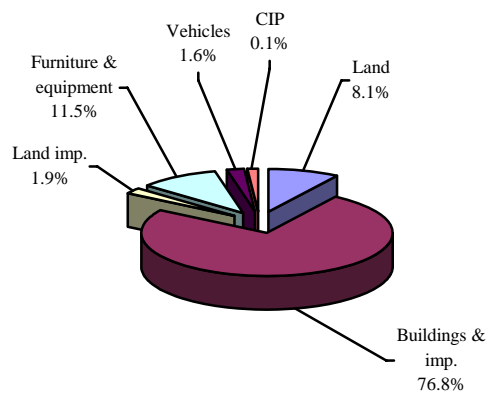
	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$ 662,718	\$ 662,718
Land improvements	358,059	158,651
Building and improvements	6,252,347	6,303,552
Furniture and equipment	1,035,889	942,956
Vehicles	111,426	135,383
Construction-in-Progress	-	11,495
<b>Total</b>	<b>\$ 8,420,439</b>	<b>\$ 8,214,755</b>

The following graphs show the breakdown of governmental activities capital assets by category for 2005 and 2004.

**Capital Assets - Governmental Activities  
2005**



**Capital Assets - Governmental Activities  
2004**



**DELAWARE AREA CENTER  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

The overall increase in capital assets of \$205,684 is due to additions in the amount of \$649,799 exceeding depreciation expense of \$435,950 and disposals of \$8,165 (net of accumulated depreciation). See Note 8 to the basic financial statements for additional information on the Career Center's capital assets.

***Debt Administration***

At June 30, 2005 the Career Center had \$155,000 in energy conservation loans, \$249,999 in building assistance loans and \$102,280 in capital lease obligations outstanding. Of this total, \$152,738 is due within one year and \$354,441 is due within greater than one year. The following table summarizes the lease obligations and loans outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
Energy conservation loans	\$ 155,000	\$ 225,000
Business assistance loans	249,999	283,333
Capital lease obligations	<u>102,280</u>	<u>60,793</u>
Total	<u>\$ 507,279</u>	<u>\$ 569,126</u>

At June 30, 2005 the Career Center's overall legal debt margin was \$345,401,889 with an unvoted debt margin of \$3,835,021.

See Note 10 to the basic financial statements for additional information on the Career Center's debt administration.

**Current Financial Related Activity**

Currently, the Career Center is in very good financial shape. The Career Center is committed to finding ways to lower or contain the costs of operating the district. And on the revenue side, tax revenues continue to increase as a result of new development in Delaware County.

The Career Center does have a 1.3 mill Operating levy and a 0.4 mill Permanent Improvement levy that will expire in December 31, 2005 (collected in 2006) that the Career Center will need to renew by November 2006.

The Career Center will also need to negotiate a new contract with its union since the current contract ends June 30, 2006. Both the levy renewal and the contract negotiation will have significant impacts on our future financial condition.

**Contacting the Career Center's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the Career Center's finances and to show the Career Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Christopher H. Bell, Treasurer, Delaware Area Career Center, 4565 Columbus Pike, Delaware, Ohio 43015-8969.

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . .	\$ 7,717,557	\$ 42,047	\$ 7,759,604
Receivables:			
Taxes . . . . .	8,664,621	-	8,664,621
Accounts . . . . .	4,061	17,925	21,986
Intergovernmental . . . . .	88,211	24,208	112,419
Accrued interest . . . . .	28,778	-	28,778
Internal balance. . . . .	25,715	(25,715)	-
Prepayments . . . . .	63,036	3,283	66,319
Materials and supplies inventory. . . . .	65,907	-	65,907
Capital assets:			
Land . . . . .	662,718	-	662,718
Depreciable capital assets, net . . . . .	7,757,721	-	7,757,721
Capital assets, net. . . . .	<u>8,420,439</u>	<u>-</u>	<u>8,420,439</u>
 Total assets. . . . .	 <u>25,078,325</u>	 <u>61,748</u>	 <u>25,140,073</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	286,195	33,835	320,030
Contracts payable. . . . .	652,739	-	652,739
Accrued wages and benefits . . . . .	802,723	44,996	847,719
Pension obligation payable. . . . .	125,268	8,209	133,477
Intergovernmental payable . . . . .	64,349	7,114	71,463
Deferred revenue . . . . .	6,317,606	-	6,317,606
Long-term liabilities:			
Due within one year. . . . .	255,460	10,436	265,896
Due in more than one year . . . . .	889,848	7,033	896,881
Total liabilities . . . . .	<u>9,394,188</u>	<u>111,623</u>	<u>9,505,811</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt. . . . .	7,913,160	-	7,913,160
Restricted for:			
Capital projects . . . . .	455,280	-	455,280
Debt service. . . . .	250,000	-	250,000
State funded programs. . . . .	11,833	-	11,833
Federally funded programs. . . . .	11,077	-	11,077
Other purposes . . . . .	52,111	-	52,111
Unrestricted (deficit) . . . . .	<u>6,990,676</u>	<u>(49,875)</u>	<u>6,940,801</u>
Total net assets (deficit) . . . . .	<u>\$ 15,684,137</u>	<u>\$ (49,875)</u>	<u>\$ 15,634,262</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
<b>Governmental activities:</b>			
Instruction:			
Regular . . . . .	\$ 872,061	\$ -	\$ 32,642
Vocational . . . . .	5,089,343	1,144,256	155,875
Adult/continuing education . . . . .	121,821	-	67,006
Other . . . . .	8,190	-	-
Support services:			
Pupil. . . . .	604,607	-	125,053
Instructional staff . . . . .	213,958	-	14,279
Board of education . . . . .	88,352	-	-
Administration. . . . .	1,422,875	1,268	156
Fiscal. . . . .	453,557	-	-
Business. . . . .	1,421	-	-
Operations and maintenance . . . . .	2,234,388	-	-
Pupil transportation. . . . .	19,418	-	-
Central . . . . .	457,620	-	24,678
Operation of non-instructional services . . . . .	290,227	-	-
Food service operations . . . . .	159,372	79,186	12,276
Extracurricular activities. . . . .	21,730	17,424	-
Interest and fiscal charges . . . . .	18,944	-	-
<b>Total governmental activities . . . . .</b>	<b>12,077,884</b>	<b>1,242,134</b>	<b>431,965</b>
<b>Business-type activities:</b>			
Adult education. . . . .	1,167,924	634,946	157,310
<b>Total business-type activities . . . . .</b>	<b>1,167,924</b>	<b>634,946</b>	<b>157,310</b>
<b>Totals . . . . .</b>	<b>\$ 13,245,808</b>	<b>\$ 1,877,080</b>	<b>\$ 589,275</b>

**General Revenues:**

Property taxes levied for:

  General purposes . . . . .

  Capital projects. . . . .

  Grants and entitlements not restricted  
  to specific programs. . . . .

  Payment in lieu of taxes . . . . .

  Investment earnings . . . . .

  Miscellaneous . . . . .

Total general revenues . . . . .

Transfers . . . . .

Total general revenues and  
  transfers . . . . .

Change in net assets . . . . .

**Net assets at beginning of year. . . . .**

**Net assets at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (839,419)	\$ -	\$ (839,419)
(3,789,212)	-	(3,789,212)
(54,815)	-	(54,815)
(8,190)	-	(8,190)
(479,554)	-	(479,554)
(199,679)	-	(199,679)
(88,352)	-	(88,352)
(1,421,451)	-	(1,421,451)
(453,557)	-	(453,557)
(1,421)	-	(1,421)
(2,234,388)	-	(2,234,388)
(19,418)	-	(19,418)
(432,942)	-	(432,942)
(290,227)	-	(290,227)
(67,910)	-	(67,910)
(4,306)	-	(4,306)
(18,944)	-	(18,944)
(10,403,785)	-	(10,403,785)
-	(375,668)	(375,668)
-	(375,668)	(375,668)
(10,403,785)	(375,668)	(10,779,453)
8,124,769	-	8,124,769
1,300,487	-	1,300,487
3,302,526	-	3,302,526
6,540	-	6,540
175,431	-	175,431
72,021	-	72,021
12,981,774	-	12,981,774
(283,000)	283,000	-
12,698,774	283,000	12,981,774
2,294,989	(92,668)	2,202,321
13,389,148	42,793	13,431,941
<u>\$ 15,684,137</u>	<u>\$ (49,875)</u>	<u>\$ 15,634,262</u>

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 6,603,486	\$ 656,094	\$ 408,875	\$ 7,668,455
Receivables:				
Taxes . . . . .	7,471,099	1,193,522	-	8,664,621
Accounts . . . . .	890	-	3,171	4,061
Intergovernmental . . . . .	75,567	-	12,644	88,211
Accrued interest . . . . .	28,778	-	-	28,778
Interfund loans . . . . .	45,421	-	-	45,421
Prepayments . . . . .	63,036	-	-	63,036
Materials and supplies inventory . . . . .	63,865	-	2,042	65,907
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	49,102	-	-	49,102
<b>Total assets . . . . .</b>	<u>\$ 14,401,244</u>	<u>\$ 1,849,616</u>	<u>\$ 426,732</u>	<u>\$ 16,677,592</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 235,195	\$ 37,545	\$ 13,455	\$ 286,195
Contracts payable. . . . .	163,055	489,684	-	652,739
Accrued wages and benefits . . . . .	750,753	-	51,970	802,723
Compensated absences payable . . . . .	57,775	-	-	57,775
Pension obligation payable. . . . .	106,312	-	18,956	125,268
Intergovernmental payable . . . . .	60,291	-	4,058	64,349
Interfund loans payable. . . . .	1,155	-	18,551	19,706
Deferred revenue . . . . .	5,707,779	903,672	3,059	6,614,510
<b>Total liabilities . . . . .</b>	<u>7,082,315</u>	<u>1,430,901</u>	<u>110,049</u>	<u>8,623,265</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	58,157	89,682	18,313	166,152
Reserved for budget stabilization. . . . .	49,102	-	-	49,102
Reserved for materials and supplies inventory. . . . .	63,865	-	2,042	65,907
Reserved for property tax unavailable for appropriation . . . . .	1,784,819	289,850	-	2,074,669
Reserved for prepayments . . . . .	63,036	-	-	63,036
Reserved for debt service . . . . .	-	-	250,000	250,000
Unreserved, undesignated, reported in:				
General fund . . . . .	5,299,950	-	-	5,299,950
Special revenue funds. . . . .	-	-	46,328	46,328
Capital projects funds. . . . .	-	39,183	-	39,183
<b>Total fund balances . . . . .</b>	<u>7,318,929</u>	<u>418,715</u>	<u>316,683</u>	<u>8,054,327</u>
<b>Total liabilities and fund balances . . . . .</b>	<u>\$ 14,401,244</u>	<u>\$ 1,849,616</u>	<u>\$ 426,732</u>	<u>\$ 16,677,592</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005**

<b>Total governmental fund balances</b>		<b>\$ 8,054,327</b>
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,420,439
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 272,346	
Interest revenue	21,499	
Intergovernmental revenue	<u>3,059</u>	
Total		296,904
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.		
Building assistance loan	249,999	
Energy conservation loans	155,000	
Compensated absences	580,254	
Capital lease obligation	<u>102,280</u>	
Total		<u>(1,087,533)</u>
<b>Net assets of governmental activities</b>		<b><u>\$ 15,684,137</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 8,091,720	\$ 1,295,620	\$ -	\$ 9,387,340
Tuition. . . . .	919,888	-	-	919,888
Earnings on investments. . . . .	173,764	-	-	173,764
Charges for services . . . . .	-	-	79,186	79,186
Extracurricular. . . . .	-	-	17,424	17,424
Classroom materials and fees . . . . .	9	-	44,099	44,108
Other local revenues. . . . .	72,021	-	181,684	253,705
Payment in lieu of taxes . . . . .	6,540	-	-	6,540
Intergovernmental - State . . . . .	3,160,816	133,505	104,301	3,398,622
Intergovernmental - Federal. . . . .	8,205	-	363,096	371,301
<b>Total revenue . . . . .</b>	<b>12,432,963</b>	<b>1,429,125</b>	<b>789,790</b>	<b>14,651,878</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	787,397	-	57,780	845,177
Vocational. . . . .	4,515,384	181,105	337,558	5,034,047
Adult/Continuing education . . . . .	-	-	120,990	120,990
Other . . . . .	8,190	-	-	8,190
Support Services:				
Pupil. . . . .	500,414	-	100,810	601,224
Instructional staff . . . . .	199,664	-	14,186	213,850
Board of education . . . . .	86,300	-	-	86,300
Administration. . . . .	1,376,764	-	951	1,377,715
Fiscal . . . . .	433,604	17,775	-	451,379
Business . . . . .	1,421	-	-	1,421
Operations and maintenance. . . . .	1,329,929	-	-	1,329,929
Pupil transportation . . . . .	19,418	-	-	19,418
Central. . . . .	420,533	-	28,119	448,652
Operation of non-instructional services . . . . .	278,033	-	12,194	290,227
Extracurricular activities. . . . .	7,402	-	14,328	21,730
Facilities acquisition and construction . . . . .	59,617	1,095,519	-	1,155,136
Capital outlay . . . . .	81,244	-	-	81,244
Food service operations . . . . .	-	-	135,941	135,941
Debt service:				
Principal retirement . . . . .	39,757	-	103,334	143,091
Interest and fiscal charges . . . . .	7,470	-	11,474	18,944
<b>Total expenditures . . . . .</b>	<b>10,152,541</b>	<b>1,294,399</b>	<b>937,665</b>	<b>12,384,605</b>
Excess of revenues over (under) expenditures. . . . .	2,280,422	134,726	(147,875)	2,267,273
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	-	-	148,712	148,712
Transfers (out) . . . . .	(431,712)	-	-	(431,712)
Capital lease transaction . . . . .	81,244	-	-	81,244
<b>Total other financing sources (uses) . . . . .</b>	<b>(350,468)</b>	<b>-</b>	<b>148,712</b>	<b>(201,756)</b>
Net change in fund balances . . . . .	1,929,954	134,726	837	2,065,517
<b>Fund balances at beginning of year. . . . .</b>	<b>5,388,975</b>	<b>283,989</b>	<b>315,846</b>	<b>5,988,810</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 7,318,929</b>	<b>\$ 418,715</b>	<b>\$ 316,683</b>	<b>\$ 8,054,327</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**Net change in fund balances - total governmental funds** **\$ 2,065,517**

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

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

Capital asset additions	\$ 649,799	
Current year depreciation	<u>(435,950)</u>	
Total		213,849

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (8,165)

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

Delinquent property taxes	37,916	
Intergovernmental	(35,588)	
Accrued interest	<u>1,667</u>	
Total		3,995

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement net assets. 143,091

The issuance of capital lease are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets. (81,244)

Some expenses reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in governmental funds. (42,054)

**Change in net assets of governmental activities** **\$ 2,294,989**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 6,820,315	\$ 6,953,682	\$ 7,120,814	\$ 167,132
Tuition . . . . .	881,069	898,298	919,888	21,590
Earnings on investments . . . . .	150,962	153,914	157,613	3,699
Classroom materials and fees . . . . .	9	9	9	-
Other revenue . . . . .	70,895	72,282	73,522	1,240
Intergovernmental - Intermediate . . . . .	6,264	6,388	6,540	152
Intergovernmental - State . . . . .	3,027,430	3,086,627	3,160,816	74,189
Intergovernmental - Federal . . . . .	-	-	8,205	8,205
<b>Total revenue . . . . .</b>	<b><u>10,956,944</u></b>	<b><u>11,171,200</u></b>	<b><u>11,447,407</u></b>	<b><u>276,207</u></b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	799,704	803,434	785,207	18,227
Vocational . . . . .	4,533,650	4,606,206	4,451,464	154,742
Other . . . . .	18,000	18,000	9,360	8,640
Support services:				
Pupil . . . . .	472,432	487,744	463,868	23,876
Instructional staff . . . . .	205,648	210,519	201,920	8,599
Board of education . . . . .	90,345	146,134	88,707	57,427
Administration . . . . .	1,477,257	1,504,932	1,450,477	54,455
Fiscal . . . . .	447,295	485,207	439,186	46,021
Business . . . . .	1,490	1,550	1,463	87
Operations and maintenance . . . . .	1,407,424	1,464,809	1,381,910	82,899
Pupil transportation . . . . .	18,015	27,246	17,688	9,558
Central . . . . .	437,113	494,851	429,189	65,662
Operation of non-instructional services . . . . .	3,119	3,760	3,062	698
Extracurricular activities . . . . .	6,368	6,762	6,253	509
Facilities acquisition and construction . . . . .	49,896	49,003	48,991	12
<b>Total expenditures . . . . .</b>	<b><u>9,967,756</u></b>	<b><u>10,310,157</u></b>	<b><u>9,778,745</u></b>	<b><u>531,412</u></b>
Excess of revenues over expenditures . . . . .	<u>989,188</u>	<u>861,043</u>	<u>1,668,662</u>	<u>807,619</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	322	328	336	8
Transfers in . . . . .	155	158	162	4
Transfers (out) . . . . .	(719,760)	(719,578)	(706,712)	12,866
Advances in . . . . .	387,542	395,120	405,772	10,652
Advances (out) . . . . .	(123,222)	(181,000)	(120,988)	60,012
<b>Total other financing sources (uses) . . . . .</b>	<b><u>(454,963)</u></b>	<b><u>(504,972)</u></b>	<b><u>(421,430)</u></b>	<b><u>83,542</u></b>
Net change in fund balance . . . . .	534,225	356,071	1,247,232	891,161
<b>Fund balance at beginning of year . . . . .</b>	<b>4,663,834</b>	<b>4,663,834</b>	<b>4,663,834</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>315,320</b>	<b>315,320</b>	<b>315,320</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 5,513,379</u></b>	<b><u>\$ 5,335,225</u></b>	<b><u>\$ 6,226,386</u></b>	<b><u>\$ 891,161</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2005**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Adult Education</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 42,047
Receivables:	
Accounts . . . . .	17,925
Intergovernmental . . . . .	24,208
Prepayments . . . . .	3,283
Total assets . . . . .	87,463
<b>Liabilities:</b>	
Accounts payable. . . . .	33,835
Accrued wages and benefits . . . . .	44,996
Pension obligation payable. . . . .	8,209
Interfund loan payable . . . . .	25,715
Intergovernmental payable . . . . .	7,114
Compensated absences	10,436
Total current liabilities . . . . .	130,305
Long-term liabilities:	
Compensated absences . . . . .	7,033
Total liabilities . . . . .	137,338
<b>Net assets:</b>	
Unrestricted (deficit) . . . . .	(49,875)
Total net assets (deficit). . . . .	\$ (49,875)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Adult Education</b>
<b>Operating revenues:</b>	
Tuition and fees. . . . .	\$ 543,001
Other . . . . .	91,945
	634,946
<b>Operating expenses:</b>	
Personal services. . . . .	954,855
Purchased services. . . . .	82,205
Materials and supplies . . . . .	124,621
Capital outlay . . . . .	163
Other. . . . .	6,080
	1,167,924
Total operating expenses. . . . .	(532,978)
Operating loss . . . . .	157,310
<b>Nonoperating revenues:</b>	
Operating grants . . . . .	157,310
Total nonoperating revenues. . . . .	157,310
Loss before transfers . . . . .	(375,668)
Transfers in. . . . .	283,000
Change in net assets . . . . .	(92,668)
<b>Net assets at beginning of year . . . . .</b>	<b>42,793</b>
<b>Net assets (deficit) at end of year. . . . .</b>	<b>\$ (49,875)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b>Business-Type Activities</b>
	<b>Enterprise Funds</b>
	<b>Adult Education</b>
<b>Cash flows from operating activities:</b>	
Cash received from tuition and fees . . . . .	\$ 550,994
Cash received from other operations. . . . .	92,427
Cash payments for personal services. . . . .	(943,449)
Cash payments for contractual services . . . . .	(79,152)
Cash payments for materials and supplies . . . . .	(94,567)
Cash payments for other expenses . . . . .	(6,243)
	(479,990)
 Net cash used in operating activities . . . . .	 (479,990)
 <b>Cash flows from noncapital financing activities:</b>	
Cash received from advances in . . . . .	25,715
Cash received from operating grants. . . . .	161,540
Cash received from transfers in . . . . .	283,000
	470,255
 Net cash provided by noncapital financing activities . . . . .	 470,255
 Net decrease in cash and cash equivalents. . . . .	 (9,735)
 <b>Cash and cash equivalents at beginning of year . . .</b>	 51,782
<b>Cash and cash equivalents at end of year. . . . .</b>	<b>\$ 42,047</b>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (532,978)
 Changes in assets and liabilities:	
Decrease in accounts receivable . . . . .	8,475
Increase in prepayments . . . . .	(328)
Increase in accounts payable . . . . .	33,107
Increase in accrued wages and benefits . . . . .	2,951
Increase in intergovernmental payable . . . . .	2,694
Increase in compensated absences payable . . . . .	3,765
Increase in pension obligation payable . . . . .	2,324
	2,324
 Net cash used in operating activities . . . . .	 \$ (479,990)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005**

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 804	\$ 109,935
Receivables:		
Accounts . . . . .	-	69,570
	804	\$ 179,505
<b>Total assets</b> . . . . .	<b>804</b>	<b>\$ 179,505</b>
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 2,625
Accrued wages and benefits . . . . .	-	1,680
Pension obligation payable . . . . .	-	2,689
Undistributed monies . . . . .	-	14,722
Intergovernmental payable . . . . .	-	96,055
Due to students . . . . .	-	61,734
	-	\$ 179,505
<b>Total liabilities</b> . . . . .	<b>-</b>	<b>\$ 179,505</b>
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	804	
<b>Total net assets</b> . . . . .	<b>\$ 804</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Private-Purpose Trust</u>
	<u>Scholarship</u>
Net assets at beginning of year. . . . .	<u>\$ 804</u>
Net assets at end of year . . . . .	<u>\$ 804</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 1 - DESCRIPTION OF THE CAREER CENTER**

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 38 classified employees, 75 certified teaching personnel, and 11 administrative employees who provide services to 517 students and other community members. The Career Center currently operates two instructional/administration buildings.

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

The basic financial statements of the Career Center have been prepared in conformity with accounting principles generally accepted in the United States of America (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 activity and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The Career Center has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise fund, subject to this same limitation. The Career Center has elected not to apply these FASB Statements and Interpretations. The Career Center's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Career Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Career Center. For the Career Center, this includes general operations, foods service, community services, adult education 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 organizations' government board and either (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; or (3) 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 (4) 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. Based upon the application of these criteria, the Career Center has no component units. The basic financial statements of the reporting entity include only those of the Career Center (the primary government). The following organizations are described due to their relationship to the Career Center:

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*JOINTLY GOVERNED ORGANIZATIONS*

*Tri-Rivers Educational Computer Association (TRECA)*

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 2005, the Career Center paid \$19,186 to TRECA for various services. Financial information can be obtained from Mike Carder, Director, at 2222 Marion/Mt. Gilead Road, Marion, Ohio 43302.

*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 education 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.

*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.

*Work Force Preparation Regional Council of Governments (JOG)*

The Work Force Preparation Regional Council of Governments is a jointly governed organization formed to apply for, administer, and deliver services in member districts pursuant to the Jobs for Ohio's Graduates (JOG) program and related, or similar, state and federal programs. The Council consists of fifteen members, three of which are representatives of the Career Center. The Career Center acts as the fiscal agent for the JOG program, processing all receipts and expenditures of the Council, which is supported by financial and in-kind contributions from its members, and from other revenue sources; including financial support received from the Center.

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*INSURANCE PURCHASING POOL*

Ohio Association of School Business Officials 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 Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

The Career Center uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Career Center activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

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

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available 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.

Other governmental funds of the Career Center are used to account for (a) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs; or (b) food service operations, and (c) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the Career Center's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The Career Center reports one type of proprietary fund:

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Enterprise Funds – Enterprise reporting focuses on the determination of the change in net assets, financial position and cash flows. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in net assets presents increases (i.e, revenues) and decreases (i.e expenses) in net total assets. That statement of cash flows provides information about how the Career Center’s finances and meets cash flow needs of its enterprise activities. The Career Center has one enterprise fund to account for adult education programs. This enterprise fund is considered a major enterprise fund.

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Career Center and for each function or program of the Career Center’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are 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 and contributions 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. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Career Center.

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Fund Financial Statements - Fund financial statements report detailed information about the Career Center. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the Career Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Career Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Career Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the financial statements as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2005 is as follows:

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Delaware County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the Career Center must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the Career Center Treasurer.

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Career Center Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2005.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original and final appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2005.

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control for the fund.

**F. Cash and Investments**

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

During fiscal year 2005, investments were limited to federal agency securities, bankers acceptance, repurchase agreements and non-negotiable certificates of deposit.

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

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2005 amounted to \$173,764 which includes \$24,871 assigned from other Career Center funds.

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

An analysis of the Career Center's investment account at year-end is provided in Note 4.

**G. Inventory**

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

On fund financial statements, inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories consist of donated food, purchased food, and non-food supplies held for resale and are expensed when used.

**H. Capital Assets**

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



**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Career Center maintains a capitalization threshold of \$2,500. Donated capital assets are recorded at their fair market values as of the date received. The Career Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported 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:

Description	Governmental Activities Estimated Lives
Land improvements	25 years
Buildings and improvements	10 - 100 years
Furniture/equipment	5 - 70 years
Vehicles	6 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**J. Compensated Absences**

Compensated absences of the Career Center consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Career Center and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least 10 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16. The Career Center has also recorded a liability for all employees with at least 10 years of service.

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee's retirement/resignation has been incurred by fiscal year-end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary 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, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans and leases are recognized as a liability in the fund financial statements when due.

**L. Fund Balance Reserves**

The Career Center reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepayments, materials and supplies inventory, debt service, property taxes unavailable for appropriation and budget stabilization. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**M. Net Assets**

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

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

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set aside to create a reserve for budget stabilization. See Note 16 for details.

**Q. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Career Center, these revenues are charges for services for adult education programs. Operating expenses are necessary a cost incurred to provide the good or service that is the primary activity of the fund.

**R. Interfund Activity**

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

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 proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2005, the Career Center has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

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

The implementation of GASB Statement No. 40 and GASB Technical Bulletin No. 2004-2 did not have an effect on the financial statements of the Career Center, however additional note disclosure can be found in Note 4.

**B. Deficit Fund Balances/Net Assets**

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

Nonmajor Funds

ABLE Grant	\$ 16,558
Enhancements	1,480
Miscellaneous State Grants	3,272

The Adult Education Enterprise fund had \$49,875 in deficit net assets.

These funds complied with Ohio state law, which does not permit cash basis deficits. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. .

**NOTE 4 - 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 that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

Protection of 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 to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 4 - 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year-end, the Career Center had \$310 in undeposited cash on hand which is included on the financial statements of the Career Center as part of "Equity in Pooled Cash and Cash Equivalents."

**B. Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all Career Center deposits was \$3,704,990, exclusive of the \$1,336,305 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$3,487,072 of the Career Center's bank balance of \$3,863,747 was exposed to custodial risk as discussed below, while \$376,675 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Career Center's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Career Center.

**C. Investments**

As of June 30, 2005, the Career Center had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
Banker's acceptance	\$ 100,960	\$ 100,960	\$ -
FHLB	989,149	495,200	493,949
FHLMC	249,744	249,744	-
FNMA	1,488,885	497,665	991,220
Repurchase Agreement	<u>1,336,305</u>	<u>1,336,305</u>	<u>-</u>
	<u>\$ 4,165,043</u>	<u>\$ 2,679,874</u>	<u>\$ 1,485,169</u>

The weighted average maturity of investments is .35 years.

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Career Center's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The Career Center's investments, except for the repurchase agreement, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Career Center will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the Career Center's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the Career Center.

*Concentration of Credit Risk:* The Career Center places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Career Center at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Banker's acceptance	\$ 100,960	2.42
FHLB	989,149	23.75
FHLMC	249,744	6.00
FNMA	1,488,885	35.75
Repurchase Agreement	<u>1,336,305</u>	<u>32.08</u>
	<u>\$ 4,165,043</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 3,704,990
Investments	4,165,043
Cash on hand	<u>310</u>
Total	<u>\$ 7,870,343</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 7,717,557
Business type activities	42,047
Private-purpose trust	804
Agency funds	<u>109,935</u>
Total	<u>\$ 7,870,343</u>

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund loans receivable/payable consisted of the following at June 30, 2005, as reported on the fund statement:

General	Nonmajor governmental funds	\$ 18,551
General	Adult Education	25,716

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund loans between governmental funds are eliminated on the government-wide statements. Interfund loans between governmental funds and enterprise funds are reported as a component of "internal balances" on the government-wide statements.

- B. Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund statements:

Transfers from general fund to:		
Nonmajor governmental funds		\$ 148,712
Adult education fund		283,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Career Center area. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.



**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Career Center prior to June 30.

The Career Center receives property taxes from Delaware County. The County Auditor periodically advances to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$1,784,819 in the general fund and \$289,850 in the permanent improvement fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2004 was \$813,913 in the general fund and \$131,987 in the permanent improvement fund.

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

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

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 3,223,979,540	90.30	\$ 3,494,293,320	91.12
Public Utility Personal	123,710,080	3.46	128,579,380	3.35
Tangible Personal Property	<u>222,686,267</u>	<u>6.24</u>	<u>212,148,292</u>	<u>5.53</u>
Total	<u>\$ 3,570,375,887</u>	<u>100.00</u>	<u>\$ 3,835,020,992</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 3.20		\$ 3.20	

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental Activities**

Taxes	\$ 8,664,621
Accounts	4,061
Intergovernmental	88,211
Accrued interest	28,778

**Business-type Activities**

Accounts	17,925
Intergovernmental	<u>24,208</u>

Total receivables \$ 8,827,804

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**NOTE 8 - CAPITAL ASSETS**

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

	Balance 06/30/04	Additions	Deductions	Balance 06/30/05
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 662,718	\$ -	\$ -	\$ 662,718
Construction in progress	<u>11,495</u>	<u>-</u>	<u>(11,495)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>674,213</u>	<u>-</u>	<u>(11,495)</u>	<u>662,718</u>
Capital assets, being depreciated:				
Land improvements	196,837	223,250	-	420,087
Building/improvements	7,628,359	138,704	-	7,767,063
Furniture/equipment	1,927,340	299,340	(103,662)	2,123,018
Vehicles	<u>233,238</u>	<u>-</u>	<u>-</u>	<u>233,238</u>
Total capital assets, being depreciated	<u>9,985,774</u>	<u>661,294</u>	<u>(103,662)</u>	<u>10,543,406</u>
Less: accumulated depreciation:				
Land improvements	(38,186)	(23,842)	-	(62,028)
Building/improvements	(1,324,807)	(189,909)	-	(1,514,716)
Furniture/equipment	(984,384)	(198,242)	95,497	(1,087,129)
Vehicles	<u>(97,855)</u>	<u>(23,957)</u>	<u>-</u>	<u>(121,812)</u>
Total accumulated depreciation	<u>(2,445,232)</u>	<u>(435,950)</u>	<u>95,497</u>	<u>(2,785,685)</u>
Governmental activities capital assets, net	<u>\$ 8,214,755</u>	<u>\$ 225,344</u>	<u>\$ (19,660)</u>	<u>\$ 8,420,439</u>

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 8 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 22,281
Vocational	292,916
Adult/continuing education	8,527
Support Services:	
Pupil	2,797
Instructional staff	6,228
Board of education	2,052
Administration	15,890
Operations and maintenance of plant	52,768
Central	9,060
Food service operations	<u>23,431</u>
Total depreciation expense	<u>\$ 435,950</u>

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During the 2005 fiscal year, and in prior years, the Career Center entered into capital lease agreements for the acquisition of school buses and computer equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Governmental activities capital assets consisting of computer equipment and the school buses have been capitalized in the amount of \$246,787. This amount represents the present value of the future minimum lease payments at the time of acquisition.

A corresponding liability is recorded in the government-wide financial statements. Principal payments in the 2005 fiscal year totaled \$39,757. These amounts are reported as debt service payments of the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2005:

Year Ending <u>June 30</u>	<u>Amount</u>
2006	\$ 53,910
2007	28,558
2008	26,400
2009	<u>13,200</u>
Total minimum lease payment	122,068
Less: amount representing interest	<u>(19,788)</u>
Present value of minimum lease payments	<u>\$ 102,280</u>

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. The changes in the Career Center's long-term obligations during the year consist of the following:

	Balance 06/30/04	Additions	Reductions	Balance 06/30/05	Due in One Year
<b>Governmental Activities</b>					
Compensated absences	\$ 565,796	\$ 125,103	\$ (52,870)	\$ 638,029	\$ 102,722
Energy conservation notes	225,000	-	(70,000)	155,000	75,000
Building assistance loan	283,333	-	(33,334)	249,999	33,334
Capital lease obligation	<u>60,793</u>	<u>81,244</u>	<u>(39,757)</u>	<u>102,280</u>	<u>44,404</u>
Total governmental activities long-term liabilities	<u>\$ 1,134,922</u>	<u>\$ 206,347</u>	<u>\$ (195,961)</u>	<u>\$ 1,145,308</u>	<u>\$ 255,460</u>
<b>Business-Type Activities</b>					
Compensated absences	<u>\$ 13,704</u>	<u>\$ 11,243</u>	<u>\$ (7,478)</u>	<u>\$ 17,469</u>	<u>\$ 10,436</u>
Total business-type activities long-term liabilities	<u>\$ 13,704</u>	<u>\$ 11,243</u>	<u>\$ (7,478)</u>	<u>\$ 17,469</u>	<u>\$ 10,436</u>

*FY 1997 Business 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 of \$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.

Compensated absences will be paid from the fund from which the employee is paid. See Note 9 for detail on the Career Centers capital lease obligation.

- B. Principal and interest requirements to retire the building assistance and the energy conservation loans outstanding at June 30, 2005 are as follows:

Fiscal Year Ending June 30	Building Assistance Loan			Energy Conservation Loan		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 33,334	\$ -	\$ 33,334	\$ 75,000	\$ 7,905	\$ 82,905
2007	33,334	-	33,334	80,000	4,080	84,080
2008	33,334	-	33,334	-	-	-
2009	33,334	-	33,334	-	-	-
2010	33,333	-	33,333	-	-	-
2011 - 2013	<u>83,330</u>	-	<u>83,330</u>	-	-	-
Total	<u>\$ 249,999</u>	<u>\$ -</u>	<u>\$ 249,999</u>	<u>\$ 155,000</u>	<u>\$ 11,985</u>	<u>\$ 166,985</u>

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the Career Center shall never exceed 9% of the total assessed valuation of the Career Center. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the Career Center.

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$345,401,889 (including available funds of \$250,000) an unvoted debt margin of \$3,835,021.

**NOTE 11 - RISK MANAGEMENT**

**A. Property and Liability**

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 2005, the Career Center contracted with the following insurance coverage:

Coverage provided by Ohio School Plan is as follows:

Automobile Liability	\$1,000,000
General School Career Center 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 2005, 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.

**B. Workers' Compensation Plan**

The Career Center participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2.A.). The intent of the Plan 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 Plan. Participants in the Plan are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its Plan tier rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates McDonald Co. provides administrative, cost control, assistance with safety programs, and actuarial services to the Plan.

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**C. 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 12 - DEFINED BENEFIT PENSION PLAN**

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

Plan members are required to contribute 10% of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current Career Center rate is 14% of annual covered payroll. A portion of the Career Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The Career Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$215,406, \$182,540 and \$151,070, respectively; 100% has been contributed for all fiscal years.

**B. 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, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone 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 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)**

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

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

Plan members are required to contribute 10% of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current Career Center rate is 14% of annual covered payroll. A portion of the Career Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The Career Center's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$925,112, \$650,997, and \$434,101, respectively; 100% has been contributed for all fiscal years. Contributions to the DC and Combined Plans for fiscal 2005 were \$6,326 made by the Career Center and \$12,942 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The Career Center's liability is 6.2% of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The Career Center provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 13 - 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the Career Center, this amount equaled \$71,162 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the Career Center, the amount to fund health care benefits, including surcharge, equaled \$90,982 during the 2005 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP) and Actual presented 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 that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);



**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ 1,247,232
Net adjustment for revenue accruals	985,556
Net adjustment for expenditure accruals	(809,119)
Net adjustment for other sources/uses	70,962
Adjustment for encumbrances	<u>435,323</u>
GAAP basis	<u>\$ 1,929,954</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The Career Center receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and a condition 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 Career Center. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Career Center.

**B. Litigation**

The Career Center is involved in no material litigation as either plaintiff or defendant.

**C. 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.

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 16 - STATUTORY RESERVES**

The Career Center is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2004	\$ (352,785)	\$ -	\$ 49,102
Current year set-aside requirement	80,131	80,131	-
Current year offsets	-	(80,131)	-
Qualifying disbursements	<u>(125,340)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (397,994)</u>	<u>\$ -</u>	<u>\$ 49,102</u>
Balance carried forward to FY 2006	<u>\$ (397,994)</u>	<u>\$ -</u>	<u>\$ 49,102</u>

The Career Center had offsets and qualifying disbursements during the year that reduced the instructional materials set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

A schedule of the governmental fund restricted assets at June 30, 2005 follows:

Amount restricted for budget stabilization	<u>\$ 49,102</u>
Total restricted assets	<u>\$ 49,102</u>



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 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, 2005, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Center's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Center's management dated December 21, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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](http://www.auditor.state.oh.us)

We intend this report solely for the information and use of management and the Board of Education. It is not intended for 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

December 21, 2005

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	Proper documentation was not on some student registrations for the ABLE Program. Some participant files were missing documentation for ABLE.	Fully Corrected	
2004-001	Thirty percent of expenditures tested were not properly encumbered.	Fully Corrected	
2004-002	Finding for Recovery – Repaid Under Audit	Fully Corrected	





**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  
FEBRUARY 9, 2006**