

**KNOX COUNTY CAREER CENTER  
KNOX COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011***

**TRACY ELLIOTT, TREASURER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Knox County Career Center, Knox County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 22, 2011

**This page intentionally left blank.**

**KNOX COUNTY CAREER CENTER  
KNOX COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

Independent Accountants' Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 11
Basic Financial Statements:	
Government - Wide Financial Statements:	
Statement of Net Assets .....	12
Statement of Activities .....	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Adult Education Fund.....	19
Statement of Net Assets - Proprietary Fund Type .....	20
Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Fund Type.....	21
Statement of Cash Flows - Proprietary Fund Type .....	22
Statement of Fiduciary Net Assets - Fiduciary Funds .....	23
Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Fund.....	24
Notes to the Basic Financial Statements.....	25 - 49
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards .....	50
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	51 - 52
Independent Accountants' Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance Required By <i>OMB Circular A-133</i> .....	53 - 54
Schedule of Findings <i>OMB Circular A-133 § .505</i> .....	55

**This page intentionally left blank.**



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Knox County Career Center, Knox County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Knox County Career Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Knox County Career 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 the 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, each major fund, and the aggregate remaining fund information of the Knox County Career Center, Knox County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparisons for the general fund and adult education fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2011, on our consideration of the Knox County Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Knox County Career Center's basic financial statements taken as a whole. The schedule of receipts and expenditures of federal awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of receipts and expenditures of federal awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.  
November 4, 2011



**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

---

It is a privilege to present to you the financial picture of the Knox County Career Center. This discussion and analysis of the Center's financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

**Financial Highlights**

Key financial highlights for the 2011 fiscal year are as follows:

The Center completed the 2011 school year with two new high school programs: Sports Medicine and Early Childhood Education. Both programs were well received by our students, with twenty-six students enrolling in Sports Medicine and eighteen choosing the Early Childhood Program.

The Center purchased a building on Yauger Road during 2010. Renovations were completed in January 2011 and the adult education Licensed Practical Nursing program moved into the facility in February 2011. This move allowed for additional students to be enrolled into the Licensed Practical Nursing program as well as allowing for increased programming in the existing building at 308 Martinsburg Road. These new programs will include Child Development and Paramedic Training. Adult Education has also added a Student Services Center which includes an Assessment Center, Career Coach and Career Services.

**Using this Financial Report**

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

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

**Reporting the Center as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Center as a whole, the *financial position* of the Center has improved or diminished. The causes of this change may be the result of many factors, some not.

**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

---

financial factors include the Center's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, the Center's performance, required educational programs, demographic and socioeconomic factors, the willingness of the community to support the Center and other factors. On the other hand, financial factors may include the Center's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

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

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

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

*Fund Financial Statements*

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

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

**The Center as a Whole**

You may recall that the Statement of Net Assets provides the perspective of the Center as a whole. Table 1 provides a comparison of the Center's Net Assets for fiscal year 2011 compared to 2010:

**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

**Table 1**  
**Net Assets**  
**Governmental Activities**

	2011	2010	Change
<b>Assets</b>			
Current and Other Assets	\$16,420,356	\$16,428,324	(\$7,968)
Capital Assets, Net	21,939,172	22,192,793	(253,621)
<i>Total Assets</i>	<u>38,359,528</u>	<u>38,621,117</u>	<u>(261,589)</u>
<b>Liabilities</b>			
Current Liabilities	2,846,253	2,758,422	87,831
Long-Term Liabilities:			
Due Within One Year	300,038	298,191	1,847
Due in More Than One Year	4,431,755	4,687,068	(255,313)
<i>Total Liabilities</i>	<u>7,578,046</u>	<u>7,743,681</u>	<u>(165,635)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	17,677,254	17,706,027	(28,773)
Restricted	2,612,086	1,802,044	810,042
Unrestricted	10,492,142	11,369,365	(877,223)
<i>Total Net Assets</i>	<u>\$30,781,482</u>	<u>\$30,877,436</u>	<u>(\$95,954)</u>

Total assets of governmental activities decreased. The majority of this decrease is due to the decrease in capital assets. Capital assets decreased due to annual depreciation outpacing capital asset additions in fiscal year 2011.

Total liabilities of governmental activities decreased. The Career Center had a decrease in long-term liabilities largely due to the retirement of debt.

By comparing assets and liabilities, one can see the overall position of the Center has declined slightly as evidenced by the decrease in net assets of \$95,954.

**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

Table 2 shows the changes in net assets for fiscal year 2011 and 2010:

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

	2011	2010	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$1,844,761	\$1,875,420	(\$30,659)
Operating Grants and Contributions	700,972	635,327	65,645
Total Program Revenues	<u>2,545,733</u>	<u>2,510,747</u>	<u>34,986</u>
General Revenues:			
Property Taxes	3,159,234	3,008,328	150,906
Intergovernmental	6,015,311	5,892,652	122,659
Investment Earnings	120,086	191,349	(71,263)
Payments in Lieu of Taxes	82,907	77,469	5,438
Miscellaneous	12,395	74,767	(62,372)
Total General Revenues	<u>9,389,933</u>	<u>9,244,565</u>	<u>145,368</u>
Total Revenues	<u>11,935,666</u>	<u>11,755,312</u>	<u>180,354</u>
<b>Program Expenses</b>			
Instruction:			
Regular	171,536	164,128	7,408
Vocational	5,509,517	5,585,693	(76,176)
Adult/Continuing	1,451,104	1,435,997	15,107
Support Services:			
Pupil	594,222	645,400	(51,178)
Instructional Staff	784,426	803,201	(18,775)
Board of Education	17,293	16,405	888
Administration	1,083,029	977,645	105,384
Fiscal	435,402	413,802	21,600
Business	48,933	53,767	(4,834)
Operation and Maintenance of Plant	1,327,573	1,236,093	91,480
Central	124,589	70,074	54,515
Operation of Non-Instructional Services	220,303	188,935	31,368
Extracurricular Activities	46,806	33,984	12,822
Interest and Fiscal Charges	216,887	227,273	(10,386)
Total Program Expenses	<u>12,031,620</u>	<u>11,852,397</u>	<u>179,223</u>
Decrease in Net Assets	(95,954)	(97,085)	1,131
<i>Net Assets Beginning of Year</i>	<u>30,877,436</u>	<u>30,974,521</u>	<u>(97,085)</u>
<i>Net Assets End of Year</i>	<u><u>\$30,781,482</u></u>	<u><u>\$30,877,436</u></u>	<u><u>(\$95,954)</u></u>

**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

---

**Governmental Activities**

Net assets of the Center's governmental activities decreased by \$95,954 in fiscal year 2011. Program revenues of \$2,545,733 and general revenues of \$9,389,933 offset total governmental expenses of \$12,031,620. Program revenues supported 21.2 percent of the total governmental expenses.

The primary sources of revenue for the Center are derived from property taxes and State foundation payments. Property tax revenue increased slightly from fiscal year 2010. This is due to a small increase in assessed valuation. Investment earnings are also significantly lower due to the current economic conditions.

A State law, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property. Increases in valuation prompt corresponding annual reductions in the "effective millage," the tax rates applied to real property. The Center operates on voted millage of 6.4 mills. The reduced or effective millage in fiscal year 2011 was 2.349 mills for Residential/Agricultural property and 4.1552 mills for other property. The following table illustrates the rate of growth in property values in the past ten years which has positively impacted the Center:

<u>Year</u> <u>Ending</u>	<u>Total</u> <u>Valuation</u>	<u>Growth</u> <u>Rate</u>
2011	\$1,310,409,120	0.31%
2010	1,306,378,350	0.86%
2009	1,295,216,970	4.39%
2008	1,240,746,314	-0.37%
2007	1,245,383,245	0.44%
2006	1,239,905,663	9.94%
2005	1,127,776,599	2.01%
2004	1,105,520,322	1.80%
2003	1,086,017,526	13.46%
2002	957,180,259	-1.73%

The average rate of growth over the last 10 years is 3.11 percent.

In recent years, support from the State in terms of foundation increases, the implementation of weighted funding for special education students and career-tech students, and ADM funding for career technical students had combined to increase the financial condition of the Center. State support for educational programs has averaged an increase of 7 percent over the fiscal years 2007, 2008, and 2009. This increase was largely due to increased enrollment at the Center. However, as the State of Ohio faces a difficult economic time, the Center has been capped at a .75 percent increase for fiscal year 2010 and 2011. The State's current biennium budget allow for no increase in fiscal years 2012 and 2013. The State is also exploring a new funding model and a task force has been created to implement the new model for the career centers.

Program revenues covered 21.2 percent of program expenses overall. The remaining 78.8 percent is supported through tax revenues and other general revenues. In fiscal year 2011, however, revenues totaled 99.2 percent of expenses resulting in a decrease in net assets of \$95,954.

**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$171,536	\$67,536	\$164,128	\$60,128
Vocational	5,509,517	5,090,584	5,585,693	5,215,731
Adult/Continuing	1,451,104	(249,797)	1,435,997	(295,439)
Support Services:				
Pupil	594,222	594,222	645,400	645,400
Instructional Staff	784,426	668,398	803,201	702,839
Board of Education	17,293	17,293	16,405	16,405
Administration	1,083,029	1,083,029	977,645	977,645
Fiscal	435,402	435,402	413,802	413,802
Business	48,933	48,933	53,767	53,767
Operation and Maintenance of Plant	1,327,573	1,327,573	1,236,093	1,222,410
Central	124,589	119,589	70,074	65,074
Operation of Non-Instructional Services	220,303	19,432	188,935	2,631
Extracurricular Activities	46,806	46,806	33,984	33,984
Interest and Fiscal Charges	216,887	216,887	227,273	227,273
<b>Total</b>	<b>\$12,031,620</b>	<b>\$9,485,887</b>	<b>\$11,852,397</b>	<b>\$9,341,650</b>

As one can see, the reliance upon local tax revenues for the governmental activities is crucial. 26.3 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 50.0 percent while program revenues, investments, and other miscellaneous type revenues support the remaining activity costs.

**The Center's Funds**

The Center's governmental funds (as presented on the balance sheet on page 14) reported total fund balance of \$13,341,415, a decrease of \$88,749 from fiscal year 2010.

**General Fund**

The general fund balance decreased by \$33,489 in fiscal year 2011, primarily because of transfers out to other funds.

**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

---

***Budgeting Highlights***

The Center's appropriations are prepared according to Ohio law and are based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. In fiscal year 2011 all funds were appropriated at the fund level.

In fiscal year 2011, the Center adopted its appropriations prior to October 1, 2010 and amended those appropriations several times prior to fiscal year end. For the general fund, final amended estimated revenues and other financing sources were \$10,124,777, an increase from original estimated revenues of \$9,456,223.

General fund original appropriations of \$9,948,518 were increased to \$10,362,069 in the final appropriation measure. This increase in the general fund appropriations was due mainly to higher revenue estimates allowing for a higher level of spending.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2011, the Center had \$21,939,172 invested in land, buildings and improvements, furniture, fixtures and equipment and vehicles, net of accumulated depreciation. The following table shows fiscal 2011 balances compared to 2010.

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

	Governmental Activities	
	2011	2010
Land	\$340,564	\$340,564
Buildings and Improvements	19,961,935	20,110,669
Furniture, Fixtures and Equipment	1,603,780	1,697,539
Vehicles	32,893	44,021
Total Capital Assets	\$21,939,172	\$22,192,793

Capital Assets net of depreciation decreased. The decrease was due to annual depreciation far exceeding the purchases of equipment and building improvements made during fiscal year 2011.

The Center's capitalization threshold for capital assets was set at \$500. For additional information on capital assets, see Note 10 to the basic financial statements.

**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

---

***Debt***

At June 30, 2011, the Center had the following in bonds, loans and capital leases outstanding with \$229,671 due in one year. Table 5 summarizes bonds outstanding for fiscal year 2011 compared to fiscal year 2010.

Table 5  
**Outstanding Debt, Governmental Activities at Year End**

<u>Purpose</u>	<u>2011</u>	<u>2010</u>
Energy Conservation Bonds	\$82,502	\$107,489
Capital Leases	10,416	24,277
School Facilities Loan	4,169,000	4,355,000

For additional information on long-term obligations, see Notes 15 and 16 to the basic financial statements.

**Challenges and Opportunities**

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

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

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

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

Due to sound fiscal management, the Center has not asked the voters for additional tax millage since 1994. The Center has enjoyed increased revenue from the State during the past years due to increased enrollment. However, with the financial instability of the State, the Center is no longer funded by average daily membership and cannot rely on the State Foundation for additional funds. Since the Center is currently in deficit spending, additional avenues for resources will be researched as well as continued scrutinizing of expenses.



**Knox County Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

---

The Adult Education Department of the Knox County Career Center has plans for expansion as well. The new programs that are planned for the near future are Auto Technology, Child Development, Welding, CNC Manufacturing and HVAC-R.

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Tracy L. Elliott, Treasurer, Knox County Career Center, 306 Martinsburg Road, Mount Vernon, Ohio 43050. You may also contact the Treasurer by phone at (740) 397-5820, extension 2257, or by e-mail at [tracy\\_e@treca.org](mailto:tracy_e@treca.org).

# Knox County Career Center

## Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$13,144,308
Accounts Receivable	12,035
Intergovernmental Receivable	3,597
Accrued Interest Receivable	6,863
Inventory Held for Resale	4,681
Materials and Supplies Inventory	38,169
Revenue in Lieu of Taxes Receivable	30,794
Property Taxes Receivable	3,179,909
Nondepreciable Capital Assets	340,564
Depreciable Capital Assets, Net	<u>21,598,608</u>
 <i>Total Assets</i>	 <u>38,359,528</u>
<b>Liabilities</b>	
Accounts Payable	32,376
Accrued Wages and Benefits Payable	741,283
Intergovernmental Payable	148,558
Accrued Interest Payable	2,009
Matured Compensated Absences Payable	58,986
Deferred Revenue	1,856,596
Claims Payable	6,445
Long-Term Liabilities:	
Due Within One Year	300,038
Due In More Than One Year	<u>4,431,755</u>
 <i>Total Liabilities</i>	 <u>7,578,046</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	17,677,254
Restricted for Capital Outlay	1,590,241
Restricted for Other Purposes	1,021,845
Unrestricted	<u>10,492,142</u>
 <i>Total Net Assets</i>	 <u><u>\$30,781,482</u></u>

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$171,536	\$0	\$104,000	(\$67,536)
Vocational	5,509,517	215,424	203,509	(5,090,584)
Adult/Continuing	1,451,104	1,509,715	191,186	249,797
Support Services:				
Pupil	594,222	0	0	(594,222)
Instructional Staff	784,426	23,110	92,918	(668,398)
Board of Education	17,293	0	0	(17,293)
Administration	1,083,029	0	0	(1,083,029)
Fiscal	435,402	0	0	(435,402)
Business	48,933	0	0	(48,933)
Operation and Maintenance of Plant	1,327,573	0	0	(1,327,573)
Central	124,589	0	5,000	(119,589)
Operation of Non-Instructional Services	220,303	96,512	104,359	(19,432)
Extracurricular Activities	46,806	0	0	(46,806)
Interest and Fiscal Charges	216,887	0	0	(216,887)
<i>Total Governmental Activities</i>	<u>\$12,031,620</u>	<u>\$1,844,761</u>	<u>\$700,972</u>	<u>(9,485,887)</u>

**General Revenues**

Property Taxes Levied for General Purposes	3,159,234
Grants and Entitlements not Restricted to Specific Programs	6,015,311
Investment Earnings	120,086
Payments in Lieu of Taxes	82,907
Miscellaneous	12,395
<i>Total General Revenues</i>	<u>9,389,933</u>
Change in Net Assets	(95,954)
<i>Net Assets Beginning of Year</i>	<u>30,877,436</u>
<i>Net Assets End of Year</i>	<u>\$30,781,482</u>

See accompanying notes to the basic financial statement:

**Knox County Career Center**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2011*

	General	Adult Education	Permanent Improvement	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$10,140,409	\$22,748	\$0	\$314,390	\$2,632,918	\$13,110,465
Accounts Receivable	11,587	0	0	0	448	12,035
Interfund Receivable	1,214,000	0	0	0	0	1,214,000
Intergovernmental Receivable	2,300	0	0	0	1,297	3,597
Accrued Interest Receivable	6,863	0	0	0	0	6,863
Inventory Held for Resale	0	0	0	0	4,681	4,681
Materials and Supplies Inventory	30,778	7,391	0	0	0	38,169
Revenue in Lieu of Taxes Receivable	30,794	0	0	0	0	30,794
Property Taxes Receivable	3,179,909	0	0	0	0	3,179,909
<i>Total Assets</i>	<u>\$14,616,640</u>	<u>\$30,139</u>	<u>\$0</u>	<u>\$314,390</u>	<u>\$2,639,344</u>	<u>\$17,600,513</u>
<b>Liabilities</b>						
Accounts Payable	\$21,206	\$10,642	\$0	\$0	\$528	\$32,376
Accrued Wages and Benefits Payable	645,432	76,207	0	0	19,644	741,283
Intergovernmental Payable	116,614	17,031	0	0	14,913	148,558
Interfund Payable	0	150,000	473,000	590,000	1,000	1,214,000
Matured Compensated Absences Payable	58,986	0	0	0	0	58,986
Deferred Revenue	2,062,598	0	0	0	1,297	2,063,895
<i>Total Liabilities</i>	<u>2,904,836</u>	<u>253,880</u>	<u>473,000</u>	<u>590,000</u>	<u>37,382</u>	<u>4,259,098</u>
<b>Fund Balances</b>						
Nonspendable	30,778	7,391	0	0	4,681	42,850
Restricted	0	0	0	0	2,566,335	2,566,335
Committed	0	0	0	0	39,773	39,773
Assigned	278,887	0	0	0	0	278,887
Unassigned (Deficit)	11,402,139	(231,132)	(473,000)	(275,610)	(8,827)	10,413,570
<i>Total Fund Balances (Deficit)</i>	<u>11,711,804</u>	<u>(223,741)</u>	<u>(473,000)</u>	<u>(275,610)</u>	<u>2,601,962</u>	<u>13,341,415</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$14,616,640</u>	<u>\$30,139</u>	<u>\$0</u>	<u>\$314,390</u>	<u>\$2,639,344</u>	<u>\$17,600,513</u>

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2011*

<b>Total Governmental Funds Balances</b>		\$13,341,415
 <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.		21,939,172
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	206,002	
Intergovernmental	1,297	
Total		207,299
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		27,398
In the statement of activities interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		(2,009)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences	(469,875)	
Capital Lease	(10,416)	
Energy Conservation Bonds	(82,502)	
School Facilities Loan	(4,169,000)	
Total		(4,731,793)
<i>Net Assets of Governmental Activities</i>		<b>\$30,781,482</b>
 See accompanying notes to the basic financial statements		

**Knox County Career Center**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Adult Education	Permanent Improvement	Building	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$3,167,622	\$0	\$0	\$0	\$0	\$3,167,622
Intergovernmental	6,015,311	190,094	0	0	483,998	6,689,403
Interest	117,966	0	0	373	1,747	120,086
Tuition and Fees	40,291	1,509,715	0	0	23,110	1,573,116
Rentals	60,912	0	0	0	0	60,912
Gifts and Donations	2,113	1,092	0	0	23,675	26,880
Customer Sales and Services	114,221	0	0	0	96,512	210,733
Payments on Lieu of Taxes	82,907	0	0	0	0	82,907
Miscellaneous	9,721	2,673	0	0	1	12,395
<i>Total Revenues</i>	<u>9,611,064</u>	<u>1,703,574</u>	<u>0</u>	<u>373</u>	<u>629,043</u>	<u>11,944,054</u>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	84,522	0	0	0	83,287	167,809
Vocational	5,069,609	0	0	0	177,340	5,246,949
Adult/Continuing	0	1,351,560	0	0	45,785	1,397,345
Support Services:						
Pupil	554,144	10,399	0	0	46,714	611,257
Instructional Staff	568,799	135,984	0	0	58,718	763,501
Board of Education	17,293	0	0	0	0	17,293
Administration	726,972	331,827	0	0	9,304	1,068,103
Fiscal	412,794	0	0	0	0	412,794
Business	49,987	0	0	0	0	49,987
Operation and Maintenance of Plant	1,203,949	26,522	0	0	48,350	1,278,821
Central	92,092	27,510	0	0	4,987	124,589
Operation of Non-Instructional Services	0	0	0	0	200,103	200,103
Extracurricular Activities	46,806	0	0	0	0	46,806
Capital Outlay	183,565	0	381	3,810	17,347	205,103
Debt Service:						
Principal Retirement	222,846	2,002	0	0	0	224,848
Interest and Fiscal Charges	217,084	411	0	0	0	217,495
<i>Total Expenditures</i>	<u>9,450,462</u>	<u>1,886,215</u>	<u>381</u>	<u>3,810</u>	<u>691,935</u>	<u>12,032,803</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>160,602</u>	<u>(182,641)</u>	<u>(381)</u>	<u>(3,437)</u>	<u>(62,892)</u>	<u>(88,749)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	0	0	0	194,091	194,091
Transfers Out	(194,091)	0	0	0	0	(194,091)
<i>Total Other Financing Sources (Uses)</i>	<u>(194,091)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>194,091</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(33,489)	(182,641)	(381)	(3,437)	131,199	(88,749)
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>11,745,293</u>	<u>(41,100)</u>	<u>(472,619)</u>	<u>(272,173)</u>	<u>2,470,763</u>	<u>13,430,164</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$11,711,804</u>	<u>(\$223,741)</u>	<u>(\$473,000)</u>	<u>(\$275,610)</u>	<u>\$2,601,962</u>	<u>\$13,341,415</u>

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2011*

**Net Change in Fund Balances - Total Governmental Funds** (88,749)

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

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

Capital Outlay	388,295	
Current Year Depreciation	(641,429)	
Total		(253,134)

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. The difference is the net book value of the disposed assets. (487)

Revenues in the statement of activities, such as delinquent property taxes, that do not provide current financial resources are not reported as revenues in the funds (8,388)

Repayments of energy conservation bonds, capital leases and the school facilities loan are an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets. 224,848

Some expenses, such as compensated absences, reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 28,618

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds an interest expenditure is reported when due. 608

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental fund and related internal service fund revenue is eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 730

*Change in Net Assets of Governmental Activities* (95,954)

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Total Revenues and Other Sources	\$9,456,223	\$10,124,777	\$9,614,696	(\$510,081)
Total Expenditures and Other Uses	<u>9,948,518</u>	<u>10,362,069</u>	<u>9,988,618</u>	<u>373,451</u>
<i>Net Change in Fund Balance</i>	(492,295)	(237,292)	(373,922)	(136,630)
<i>Fund Balance Beginning of Year</i>	10,203,213	10,203,213	10,203,213	0
Prior Year Encumbrances Appropriated	<u>89,980</u>	<u>89,980</u>	<u>89,980</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$9,800,898</u></u>	<u><u>\$10,055,901</u></u>	<u><u>\$9,919,271</u></u>	<u><u>(\$136,630)</u></u>

See accompanying notes to the basic financial statements



**Knox County Career Center**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
Adult Education Fund  
For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Total Revenues and Other Sources	\$1,888,906	\$1,970,973	\$1,853,855	(\$117,118)
Total Expenditures and Other Uses	1,930,129	2,013,427	1,895,370	118,057
<i>Net Change in Fund Balance</i>	(41,223)	(42,454)	(41,515)	939
<i>Fund Balance Beginning of Year</i>	32,451	32,451	32,451	0
Prior Year Encumbrances Appropriated	10,415	10,415	10,415	0
<i>Fund Balance End of Year</i>	\$1,643	\$412	\$1,351	\$939

See accompanying notes to the basic financial statements

**Knox County Career Center**

*Statement of Net Assets*

*Proprietary Fund Type*

*June 30, 2011*

---

---

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$33,843
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Claims Payable	<u>6,445</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$27,398</u></u>

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund Type*  
*For the Fiscal Year Ended June 30, 2011*

	Governmental Activities
	Internal Service
<b>Operating Revenues</b>	
Charges for Services	\$76,875
<b>Operating Expenses</b>	
Purchased Services	6,036
Claims	70,109
<i>Total Operating Expenses</i>	76,145
<i>Change in Net Assets</i>	730
<i>Net Assets Beginning of Year</i>	26,668
<i>Net Assets End of Year</i>	\$27,398

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Statement of Cash Flows*  
*Proprietary Fund Type*  
*For the Fiscal Year Ended June 30, 2011*

	Governmental Activities
	Internal Service
<i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$76,875
Cash Payments to Suppliers for Goods and Services	(6,036)
Cash Payments for Claims	(70,052)
<i>Net Increase in Cash and Cash Equivalents</i>	787
<i>Cash and Cash Equivalents Beginning of Year</i>	33,056
<i>Cash and Cash Equivalents End of Year</i>	\$33,843
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
<i>Operating Income</i>	\$730
Adjustments:	
Increase in Claims Payable	57
<i>Net Cash Provided by Operating Activities</i>	\$787

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2011*

---



---

	Private Purpose Trust	Agency
	Scholarship	
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$16,252	\$54,095
<b>Liabilities</b>		
Due to Students	0	\$54,095
<b>Net Assets</b>		
Held in Trust for Scholarships	\$16,252	

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Private Purpose Trust
	Scholarship
<b>Additions</b>	
Interest	\$20
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	181
<i>Change in Net Assets</i>	(161)
<i>Net Assets Beginning of Year</i>	16,413
<i>Net Assets End of Year</i>	\$16,252

See accompanying notes to the basic financial statements

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

---

**Note 1 - Description of the Center and Reporting Entity**

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

The Center is a jointly governed organization operating under a seven member board: three members are appointed by the Knox County Educational Service Center Board, three by the City of Mount Vernon School Board, and one by the Richland County Educational Service Center Board. Each Board member is elected to their home district and then appointed to the Center’s board. The Center provides educational services as authorized by state statute and/or federal guidelines. The Center employs 69 certified employees and 29 non-certified employees who provide services to 750 students and other community members.

***Reporting Entity***

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

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

The Center participates in a jointly governed organization and two public entity risk pools. These organizations are the Tri-Rivers Educational Computer Association, the Ohio School Boards Association Workers’ Compensation Group Rating Program and the Ohio School Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

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

The financial statements of the 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 Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The Center has elected not to apply FASB statements and interpretations issued after November 30, 1989. Following are the more significant of the Center’s accounting policies.

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the Center that are governmental and those that are considered business-type. The Center, however, has no business-type activities.

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

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

***Fund Accounting***

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

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

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



**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

***Adult Education Fund*** - This fund is used to account for revenues and expenditures restricted for adult education classes.

***Permanent Improvement Fund*** - This fund is used to account for resources assigned for the improvement of buildings.

***Building Fund*** - This fund is used to account for resources assigned for the expansion and improvement of buildings.

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

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

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

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

***Measurement Focus***

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

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund is included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e.,

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

---

revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Center finances and meets the cash flow needs of its internal service fund activity. The private purpose trust fund is accounted for on a flow of economic resources measurement focus.

***Basis of Accounting***

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

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

Nonexchange transactions, in which the Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

***Budgetary Process***

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

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

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

***Cash and Investments***

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

During fiscal year 2011, investments were limited to federal home loan bank bonds, federal national mortgage association bonds, nonnegotiable certificates of deposit and STAROhio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2011.

By Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$117,966, which includes \$12,976 assigned from other Center funds.

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

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

---

***Inventory***

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which the services are consumed.

***Capital Assets***

All capital assets of the Center are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of five hundred dollars. The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	50-100 years
Furniture, Fixtures and Equipment	5-25 years
Vehicles	10-15 years

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

***Compensated Absences***

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

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

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

---

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have been resigned or retired will be paid. The non-current portion of the liability is not reported.

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

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

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

***Net Assets***

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

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, imposed by law through constitutional provisions or enabling legislation.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Center Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

Center Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the policies of the Center Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Center applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***Internal Activities***

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

***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 year 2011.

***Estimates***

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

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**Note 3 – Change in Accounting Principles and Restatement of Fund Balance**

***Change in Accounting Principles***

For fiscal year 2011, the Center has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of the Center’s financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the Center’s financial statements.

***Restatement of Fund Balance***

The implementation of GASB Statement No. 54 had the following effect on the fund balances of the major and nonmajor funds as they were previously reported:

	General	Adult Education	Permanent Improvement	Building	Nonmajor Governmental Funds	Total
Fund Balance at June 30, 2010	\$11,738,942	(\$41,100)	(\$472,619)	(\$272,173)	\$2,477,114	\$13,430,164
Change in Fund Structure	6,351	0	0	0	(6,351)	0
Adjusted Fund Balance at June 30, 2010	<u>\$11,745,293</u>	<u>(\$41,100)</u>	<u>(\$472,619)</u>	<u>(\$272,173)</u>	<u>\$2,470,763</u>	<u>\$13,430,164</u>

**Note 4 – Compliance**

Fund balances at June 30, 2011, included the following individual fund deficits:

*Special Revenue Funds:*

Preschool Grant	\$3,737
Carl D. Perkins Grant	5,089
Adult Education	223,741
Education Management Information System Grant	3

*Capital Projects Funds:*

Building Fund	\$275,610
Permanent Improvement	473,000

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

The special revenue deficit balances resulted from adjustments for accrued liabilities. The capital projects deficit is due to advances that occurred from the purchase of the adult education training building. The advances will be repaid once the Ohio School Facilities Project has been closed by the Ohio School Facilities Commission. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

**Note 5 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Adult Education	Permanent Improvement	Building	Nonmajor Governmental Funds	Total
<i><b>Nonspendable</b></i>						
Inventory	\$30,778	\$7,391	\$0	\$0	\$4,681	\$42,850
<i><b>Restricted for</b></i>						
Building Maintenance	0	0	0	0	910,666	910,666
Classroom Facilities	0	0	0	0	1,588,944	1,588,944
Other Purposes	0	0	0	0	66,725	66,725
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,566,335</u>	<u>2,566,335</u>
<i><b>Committed to</b></i>						
Other Purposes	0	0	0	0	39,773	39,773
<i><b>Assigned to</b></i>						
Other Purposes	278,887	0	0	0	0	278,887
<i>Unassigned (Deficit)</i>	<u>11,402,139</u>	<u>(231,132)</u>	<u>(473,000)</u>	<u>(275,610)</u>	<u>(8,827)</u>	<u>10,413,570</u>
<i>Total Fund Balances</i>	<u><u>\$11,711,804</u></u>	<u><u>(\$223,741)</u></u>	<u><u>(\$473,000)</u></u>	<u><u>(\$275,610)</u></u>	<u><u>\$2,601,962</u></u>	<u><u>\$13,341,415</u></u>

**Note 6 - Budgetary Basis of Accounting**

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

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



**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).
5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the adult education major special revenue fund.

Net Change in Fund Balance		
	General	Adult Education
GAAP Basis	(\$33,489)	(\$182,641)
Net Adjustment for Revenue Accruals	1,818	281
Advances In	0	150,000
Fair Value Adjustment for Investments	3,335	0
Unrecorded Cash	(1,521)	0
Net Adjustment for Expenditure Accruals	28,887	12,242
Advances Out	(150,000)	0
Encumbrances	(222,952)	(21,397)
Budget Basis	(\$373,922)	(\$41,515)

**Note 7 - Deposits and Investments**

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

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

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

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.

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

---

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% 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 items (1) and (2) above 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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.

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 Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

At year end, the Center has \$600 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

**Deposits**

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2011, the carrying amount of all the Center’s deposits was \$10,216,604. Based on the criteria described in GASB Statement No. 40, “Deposits and Investments Risk Disclosures”, as of June 30, 2011, \$6,184,391 of the Center’s bank balance of \$10,449,298 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent. Although the securities serving as collateral were held by the pledging institution in the pledging institution’s name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

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

**Investments**

As of June 30, 2011, the Center had the following investments. All investments are in an internal investment pool.

	Carrying and Fair Value	Investment Maturities (in Years)	
		Less than 1	3-5
STAR Ohio	\$2,001,386	\$2,001,386	\$0
Federal Home Loan Bank Bonds	500,435	0	500,435
Federal National Mortgage Association Bonds	496,230	0	496,230
<b>Total Investments</b>	<b>\$2,998,051</b>	<b>\$2,001,386</b>	<b>\$996,665</b>

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

**Credit Risk** The Federal Home Loan Bank Bonds and Federal National Mortgage Association Bonds carry a rating of AAA by Fitch. STAROhio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Center has no investment policy that would further limit its investment choices.

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

---

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**Concentration of Credit Risk** The Center places no limit on the amount it may invest in any one issuer. The following is the Center's allocation as of June 30, 2011:

	<u>of Investments</u>
STAROhio	66.7 %
Federal Home Loan Bank Bonds	16.7
Federal National Mortgage Association Bonds	16.6

**Note 8 – Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Center. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 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 year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Center prior to June 30.

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

The Center receives property taxes from Coshocton, Delaware, Holmes, Knox, Licking, Morrow and Richland Counties. The County Auditors periodically advance to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 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, 2011 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, 2011, was \$1,134,311 in the general fund. The amount available as an advance at June 30, 2010, was \$1,116,627 in the general fund.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$1,256,511,810	96.18 %	\$1,260,559,570	96.20 %
Public Utility Personal	<u>49,866,540</u>	<u>3.82</u>	<u>49,849,550</u>	<u>3.80</u>
Total	<u>\$1,306,378,350</u>	<u>100.00 %</u>	<u>\$1,310,409,120</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$6.40		\$6.40	

**Note 9 - Receivables**

Receivables at June 30, 2011, consisted of taxes, accounts (customer services, student fees and insurance premiums), payments in lieu of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables except delinquent property taxes are expected to be collected within one year. Intergovernmental receivable consists of \$2,300 in the General fund and \$1,297 in the Ohio School Facilities Project Fund.

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

According to State law, the City of Mount Vernon has established several tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvements have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners. The School District agrees to accept a portion of the service payments as compensation for the likely loss of future property tax increases.

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/10	Additions	Reductions	Balance 6/30/11
Governmental Activities:				
Capital assets not being depreciated				
Land	\$340,564	\$0	\$0	\$340,564
Capital assets being depreciated				
Buildings and improvements	22,405,211	183,565	0	22,588,776
Furniture, fixtures and equipment	3,582,500	204,730	(32,526)	3,754,704
Vehicles	154,393	0	(2,412)	151,981
Total capital assets being depreciated	26,142,104	388,295	(34,938)	26,495,461
Accumulated depreciation				
Buildings and improvements	(2,294,542)	(332,299)	0	(2,626,841)
Furniture, fixtures and equipment	(1,884,961)	(298,002)	32,039	(2,150,924)
Vehicles	(110,372)	(11,128)	2,412	(119,088)
Total accumulated depreciation	(4,289,875)	(641,429)	34,451	(4,896,853)
Capital assets being depreciated, net	21,852,229	(253,134)	(487)	21,598,608
Governmental activities capital assets, net	\$22,192,793	(\$253,134)	(\$487)	\$21,939,172

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

---

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

Instruction:	
Regular	\$9,223
Vocational	366,329
Adult/Continuing	53,759
Support Services:	
Pupil	17,357
Instructional Staff	42,753
Administration	36,781
Fiscal	15,420
Operation and Maintenance of Plant	77,721
Business	55
Operation of Non-Instructional Services	<u>22,031</u>
Total Depreciation Expense	<u><u>\$641,429</u></u>

## **Note 11 - Risk Management**

### ***Property and Liability***

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Center maintains comprehensive insurance coverage with a private carrier for liability coverage. Real property, building contents and vehicles are through Ohio School Plan. The Center joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual participant enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Center pays its annual premium to the OSP (see Note 19). The Center has general liability coverage with \$3,000,000 per occurrence and \$5,000,000 general aggregate.

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

### ***Workers' Compensation***

The Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

***Employee Medical Benefits***

The Center offers vision and dental insurance to all eligible employees through a self-insurance fund. The Center has a third party administrator, Medical Claims Services, review and administer the claims activity. The claims liability of \$6,445 reported in the internal service fund at June 30, 2011, is based on an estimate provided by the third party administrator and the requirements of GAAP Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claims Payments	Balance at End of Fiscal Year
2010	\$3,853	\$74,592	\$72,057	\$6,388
2011	6,388	70,109	70,052	6,445

**Note 12 – Defined Benefit Pension Plans**

***School Employees Retirement System***

Plan Description – The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advices of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.77 percent and 0.04 percent, respectively. The remaining 2.19 percent of the 14 percent employer contributions rate is allocated to the Health Care and Medicare B funds. The Center’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$188,692, \$198,512 and \$121,745, respectively. For 2011, 98 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

***State Teachers Retirement System***

Plan Description – The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-



**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Career Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Center's required contributions to STRS Ohio for the DB Plan for the fiscal years ended June 30, 2011, 2010, and 2009 were \$681,482, \$688,307, and \$666,920, respectively. For 2011, 90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. Contributions made to the DC Plan for fiscal year 2011 were \$21,446 made by the Career Center and \$15,319 made by the plan members. For fiscal year 2011, member contributions of \$20,630 were made to the Combined Plan for the defined contribution portion of the plan.

### ***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**Note 13 - Postemployment Benefits**

***School Employees Retirement System***

Plan Description – The Center participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800. During fiscal year 2011, the Center paid \$21,553 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$44,401, \$64,617, and \$55,901, respectively. For 2011, 98 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009, were \$12,462, \$12,116, and \$10,481 respectively. For 2011, 98 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

***State Teachers Retirement System***

Plan Description – The Center contributes to the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The Career Center’s contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$52,422, \$52,947, and \$51,302 respectively. For 2011, 90 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2010 and 2009.

**Note 14 - Other Employee Benefits**

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

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to certified and classified employees upon retirement is limited to one-third of accumulated sick days not to exceed 276 days. The total maximum payment is for 92 days.

**Note 15 – Capital Lease**

During fiscal years 2007 and 2010, the Center entered into lease agreements for equipment. The leases met the criteria of a capital lease as defined by Financial Accounting Standards No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures and changes in fund balance for the governmental funds.

Principal payments in fiscal year 2011 were \$13,861 for governmental funds.

The carrying value of the leased equipment at June 30, 2011 was \$34,618, the initial cost of \$59,145 net of accumulated depreciation of \$24,527.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2011:

Fiscal Year	<u>Governmental Activities</u>	
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$8,467	\$401
2013	1,949	71
Total	<u>\$10,416</u>	<u>\$472</u>

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**Note 16 - Long-term Obligations**

The changes in the Center's long-term obligations during fiscal year 2011 were as follows:

	Outstanding 6/30/10	Additions	Reductions	Outstanding 6/30/11	Amounts Due in One year
Energy Conservation Bonds 4.87%					
Issued January 15, 1999	\$107,489	\$0	\$24,987	\$82,502	\$26,204
Capital Leases	24,277	0	13,861	10,416	8,467
School Facilities Loan 4.84%					
Issued August 17, 2006	4,355,000	0	186,000	4,169,000	195,000
Compensated Absences	498,493	44,725	73,343	469,875	70,367
<b>Total General Long-Term Obligations</b>	<b><u>\$4,985,259</u></b>	<b><u>\$44,725</u></b>	<b><u>\$298,191</u></b>	<b><u>\$4,731,793</u></b>	<b><u>\$300,038</u></b>

Compensated absences will be paid from the general fund and the adult education special revenue fund. The Energy Conservation Bonds were used to update lighting and heating and air conditioning. The bonds are paid from property tax revenue and mature on January 15, 2014. The Energy Conservation Bonds were originally issued in the amount of \$557,414. The School Facilities loan will be used for the local portion of the Ohio School Facilities Commission Project. The loan is paid from property tax revenue and matures June 30, 2026.

The Center's overall legal debt margin was \$117,936,821 with an unvoted debt margin of \$1,310,409 at June 30, 2011. Principal and interest requirements to retire the debt outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Energy Conservation Bonds		School Facilities Loan		Total
	Principal	Interest	Principal	Interest	
2012	\$26,204	\$4,018	\$195,000	\$201,780	\$427,002
2013	27,480	2,741	205,000	192,342	427,563
2014	28,818	1,403	215,000	182,420	427,641
2015	0	0	225,000	172,014	397,014
2016	0	0	236,000	161,124	397,124
2017-2021	0	0	1,363,000	684,263	2,047,263
2022-2026	0	0	1,730,000	197,729	1,927,729
<b>Total</b>	<b><u>\$82,502</u></b>	<b><u>\$8,162</u></b>	<b><u>\$4,169,000</u></b>	<b><u>\$1,791,672</u></b>	<b><u>\$6,051,336</u></b>

**Note 17 - Set-Asides**

The Center is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years.

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

	Capital Improvements Reserve	Textbook Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2010	\$0	\$0
Current Year Set-aside Requirement	100,626	100,626
Qualifying Disbursements	(100,626)	(100,626)
Totals	\$0	\$0
Set-aside Reserve Balance as of June 30, 2011	\$0	\$0

Effective July 1, 2011 the textbook set aside is no longer required and has been removed from existing law.

**Note 18- Jointly Governed Organization**

Tri-Rivers Educational Computer Association (TRECA) is a jointly governed organization among 31 public school districts within the boundaries of Delaware, Marion, Morrow, Knox and Wyandot Counties. TRECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. TRECA operates under the direction of a Board consisting of two representatives from each county, elected by a majority vote of all charter member school districts within each county. The continued existence of TRECA is not dependent on the School District's continued participation and no equity interest exists. TRECA has no outstanding debt. To obtain financial information write to: Tri-Rivers Educational Computer Association, Mike Carder, who serves as Director, 2222 Marion-Mount Gilead Road, Marion, Ohio 43302. The Center contributed \$22,344 to TRECA during fiscal year 2011.

**Note 19 - Public Entity Risk Pools**

***Insurance Purchasing Pool***

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

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

***Shared Risk Pool***

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

**Note 20 - Contingencies**

***Grants***

The Center received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2011.

***Litigation***

The Center is a party to legal proceedings. The Board of Education is of opinion that the ultimate disposition of the current proceeding will not have a material effect, if any, on the financial condition of the Center.

**Note 21 – Interfund Transactions**

***Interfund Balances***

Interfund Payable	Interfund Receivable
	General
<i>Major Governmental Funds:</i>	
Adult Education Fund	\$150,000
Building Fund	590,000
Permanent Improvement Fund	473,000
<i>Nonmajor Governmental Funds:</i>	
Reserve Officer Training Corp Fund	1,000
Total	\$1,214,000

**Knox County Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

---

The Adult Education Fund interfund payable is for student tuition and fees that were not received by fiscal year end. The Reserve Officer Training Corp Fund interfund payable is due to the funds being received on a reimbursement method. The federal government reimburses the fund periodically during the year. The Building Fund and the Permanent Improvement Fund interfund payable is due to the purchase of the Knox County Career Center Training Facility on Yauger Road, Mount Vernon, Ohio. The funds were advanced to the Building Fund and the Permanent Improvement Fund until the Ohio School Facilities Project is closed. The project is expected to be closed out during the next fiscal year.

***Interfund Transfers***

The only transfer made during the year ended June 30, 2011 was from the General fund to the OSFC Maintenance fund in the amount of \$194,091. The transfer is to meet the requirements for the Ohio School Facilities Commission to fund future maintenance costs for the addition and renovation of the Center.

## **SUPPLEMENTARY DATA**



**KNOX COUNTY CAREER CENTER  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>				
<i>Child Nutrition Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2011	\$ 18,382	\$ 18,382
(D)(E) National School Lunch Program - Food Donation	10.555	2011	12,147	12,147
(C)(D) National School Lunch Program	10.555	2011	73,695	73,695
<b>Total National School Lunch Program</b>			<u>85,842</u>	<u>85,842</u>
<b>Total U.S. Department of Agriculture and Child Nutrition Cluster</b>			<u>104,224</u>	<u>104,224</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>				
Adult Education-Basic Grants to States	84.002	2011	89,099	82,153
Career and Technical Education-Basic Grants to States	84.048	2011	174,152	174,152
Improving Teacher Quality State Grants	84.367	2011	3,813	3,813
<b>Student Financial Aid Cluster</b>				
(F)(G) Federal Direct Student Loans	84.268	N/A	1,053,275	1,053,275
(F)(G) Federal Supplemental Educational Opportunity Grants	84.007	N/A	10,978	10,978
(F)(G) Federal Pell Grant Program	84.063	N/A	639,148	639,148
<i>Total Student Financial Aid Cluster</i>			<u>1,703,401</u>	<u>1,703,401</u>
<b>Total U.S. Department of Education</b>			<u>1,970,465</u>	<u>1,963,519</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 2,074,689</u>	<u>\$ 2,067,743</u>

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:**

- (A) OAKS did not assign pass-through numbers for fiscal year 2011.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Student Financial Aid Cluster" when determining major programs.
- (G) Program directly funded by the U.S. Department of Education



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required By *Government Auditing Standards***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Knox County Career Center, Knox County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise Knox County Career Center's basic financial statements and have issued our report thereon dated November 4, 2011. 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 Knox County Career Center's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of Knox County Career Center's internal control over financial reporting. Accordingly we have not opined on the effectiveness of Knox County Career Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of Knox County Career Center's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education  
Knox County Career Center

Compliance and Other Matters

As part of reasonably assuring whether Knox County Career 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*.

We intend this report solely for the information and use of the management and Board of Education of Knox County Career Center, federal awarding agencies and pass-through entities, and others within Knox County Career Center. We intend it for no one other than these specified parties.



Julian & Grube, Inc.  
November 4, 2011



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable to Its  
Major Federal Program and on Internal Control Over Compliance  
Required By OMB Circular A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of Knox County Career Center with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Knox County Career Center's major federal program for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies Knox County Career Center's major federal program. Knox County Career Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on Knox County Career Center's compliance based on our audit.

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

In our opinion, Knox County Career Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

Knox County Career Center's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Knox County Career Center's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Knox County Career Center's internal control over compliance.

Board of Education  
Knox County Career Center

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management and Board of Education of Knox County Career Center, federal awarding agencies, and pass-through entities and others within Knox County Career Center. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 4, 2011

**KNOX COUNTY CAREER CENTER  
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2011**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under §.510(a)?</i>	No
(d)(1)(vii)	<i>Major Program (listed):</i>	Student Financial Aid Cluster: Federal Supplemental Educational Opportunity Grants - CFDA #84.007; Federal Pell Grant Program - CFDA #84.063, Federal Direct Student Loans - CFDA #84.268
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Independent Accountants' Report on Applying Agreed-Upon Procedures**

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Knox County Career Center has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Knox County Career Center did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation, or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Julian & Grube, Inc.*

Julian & Grube, Inc.  
November 4, 2011

**This page intentionally left blank.**





# Dave Yost • Auditor of State

**KNOX COUNTY CAREER CENTER**

**KNOX COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 5, 2012**