



**Auditor of State  
Betty Montgomery**



**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	22
Statement of Fund Net Assets - Proprietary Fund.....	23
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund.....	24
Statement of Cash Flows - Proprietary Fund.....	25
Statement of Fiduciary Net Assets - Fiduciary Funds.....	26
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds .....	27
Notes to the Basic Financial Statements .....	29
Independent Accountants' Report on Compliance and Internal Control Required by the <i>Government Auditing Standards</i> . .....	57
Schedule of Findings.....	59
Schedule of Prior Audit Findings.....	61

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Delaware Area Career Center, Delaware County, Ohio, (the Center) as of and for the year ended June 30, 2004, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Delaware Area Career Center, Delaware County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2005, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

January 14, 2005

**DELAWARE AREA CENTER  
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The discussion and analysis of the Delaware Area Career Center (the Career Center) financial performance provides an overall review of the Career Center's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the Career Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Career Center's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets increased \$1,131,861. Net assets of governmental activities increased \$1,043,121, which represents an 8.45% increase from 2003. Net assets of business-type activities increased \$88,740 or 193.13% from 2003.
- General revenues accounted for \$10,437,148 in revenue or 86.47% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,633,797 or 13.53% of total revenues of \$12,070,945.
- The Career Center had \$10,797,824 in expenses related to governmental activities; only \$1,633,797 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,437,148 were adequate to provide for these programs.
- The Career Center had \$1,002,793 in expenses related to business-type activities; \$861,533 of these expenses were offset by program specific charge for services and grants and contributions. General revenues supporting business-type activities of \$-0- were not adequate to support these programs which was the reason for the transfer from the general fund.
- The Career Center's major governmental funds are the general fund and permanent improvement fund. The general fund had \$10,043,472 in revenues and \$10,045,063 in expenditures and other financing uses. The general fund's fund balance decreased \$1,591 from \$5,390,566 to \$5,388,975.
- The permanent improvement fund had \$1,079,704 in revenues and \$1,491,334 in expenditures. The permanent improvement fund's fund balance decreased from \$695,619 to \$283,989.

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

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

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

**DELAWARE AREA CENTER  
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Reporting the Career Center as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the Career Center to provide programs and activities, the view of the Career Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting 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 Career Center's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Career Center as a whole, the *financial position* of the Career Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Career Center's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Career Center is divided into two distinct kinds of activities:

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

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

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

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

*Fund Financial Statements*

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



**DELAWARE AREA CENTER  
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

***Governmental Funds***

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

***Proprietary Funds***

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

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

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

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

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

**The Career Center as a Whole**

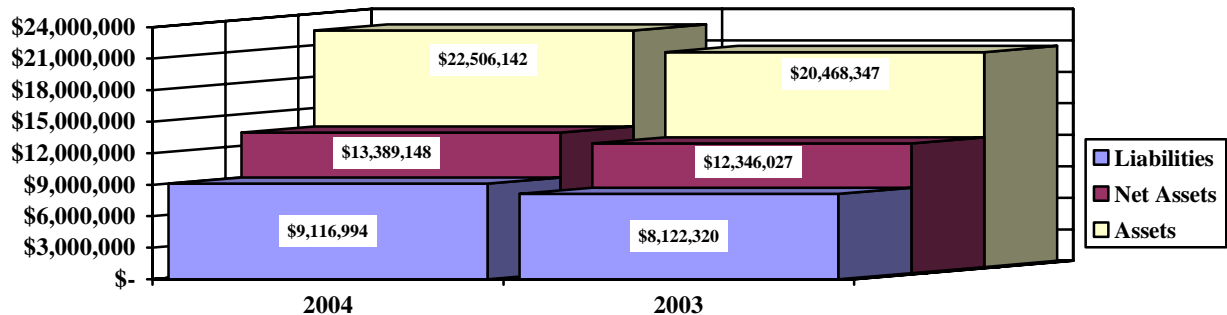
The Statement of Net Assets provides the perspective of the Career Center as a whole. The table below provides a summary of the Career Center's net assets for 2004 and 2003.

**DELAWARE AREA CENTER  
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

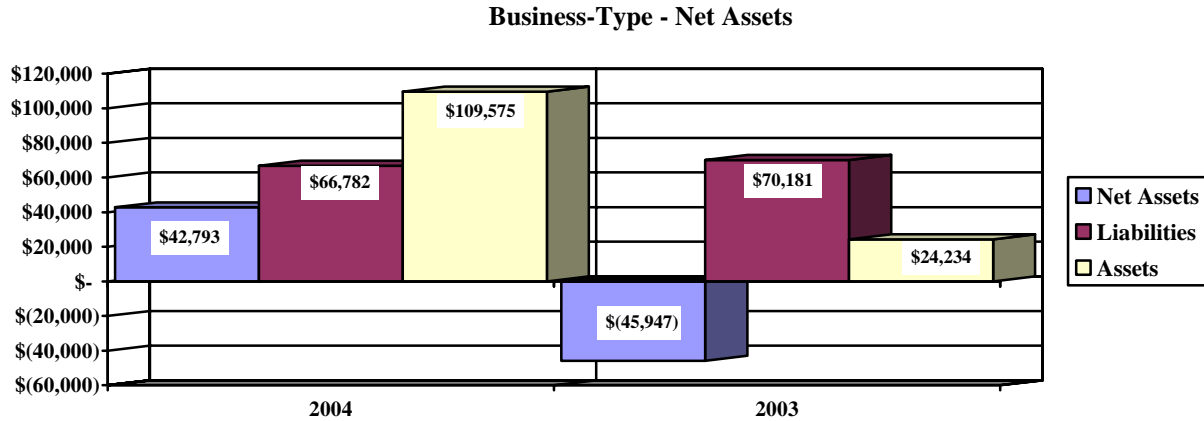
	<b>Net Assets</b>			
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
<b><u>Assets</u></b>				
Current assets	\$ 14,291,387	\$ 109,575	\$ 13,216,523	\$ 24,234
Capital assets	8,214,755	-	7,251,824	-
<b>Total assets</b>	<b>22,506,142</b>	<b>109,575</b>	<b>20,468,347</b>	<b>24,234</b>
<b><u>Liabilities</u></b>				
Current liabilities	7,982,072	66,782	6,869,072	57,528
Long-term liabilities	1,134,922	-	1,253,248	12,653
<b>Total liabilities</b>	<b>9,116,994</b>	<b>66,782</b>	<b>8,122,320</b>	<b>70,181</b>
<b><u>Net Assets</u></b>				
Invested in capital assets, net of related debt	7,645,629	-	6,548,117	-
Restricted	663,088	-	1,166,328	-
Unrestricted	5,080,431	42,793	4,631,582	(45,947)
<b>Total net assets</b>	<b>\$ 13,389,148</b>	<b>\$ 42,793</b>	<b>\$ 12,346,027</b>	<b>\$ (45,947)</b>

**Governmental - Net Assets**



**DELAWARE AREA CENTER  
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED



The table below shows the changes in net assets for governmental activities and business-type activities for fiscal years 2004 and 2003. Certain 2003 amounts have been reclassified to conform with the 2004 presentation.

**Change in Net Assets**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
<b>Revenues</b>				
Program revenues:				
Charges for services and sales	\$ 456,435	\$ 703,111	\$ 329,370	\$ 489,988
Operating grants and contributions	1,177,362	158,422	1,585,264	178,515
General revenues:				
Property taxes	7,078,796	-	7,286,380	-
Grants and entitlements	3,244,116	-	3,411,247	-
Payment in lieu of taxes	6,629	-	-	-
Investment earnings	65,057	-	88,655	-
Other	42,550	-	7,147	-
<b>Total revenues</b>	<u>12,070,945</u>	<u>861,533</u>	<u>12,708,063</u>	<u>668,503</u>

**DELAWARE AREA CENTER  
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
<b><u>Expenses</u></b>				
Program expenses:				
Instruction:				
Regular	\$ 881,305	\$ -	\$ 869,578	\$ -
Vocational	4,905,627	-	5,655,958	-
Adult/continuing education	123,553	-	154,794	-
Other	18,057	-	-	-
Support services:				
Pupil	495,434	-	448,306	-
Instructional staff	337,746	-	344,487	-
Board of Education	116,964	-	126,874	-
Administration	1,532,175	-	1,588,157	-
Fiscal	449,773	-	491,422	-
Business	1,443	-	-	-
Operations and maintenance	1,196,815	-	1,443,322	-
Pupil transportation	14,161	-	19,927	-
Central	478,315	-	90,954	-
Operation of non-instructional services	44,800	-	23,410	-
Extracurricular activities	14,450	-	40,295	-
Interest and fiscal charges	18,832	-	23,998	-
Food service operations	168,374	-	186,132	-
Adult education	-	1,002,793	-	900,528
Total expenses	<u>10,797,824</u>	<u>1,002,793</u>	<u>11,507,614</u>	<u>900,528</u>
Transfers	<u>(230,000)</u>	<u>230,000</u>	<u>(328,179)</u>	<u>328,179</u>
Changes in net assets	<u>\$ 1,043,121</u>	<u>\$ 88,740</u>	<u>\$ 872,270</u>	<u>\$ 96,154</u>

**Governmental Activities**

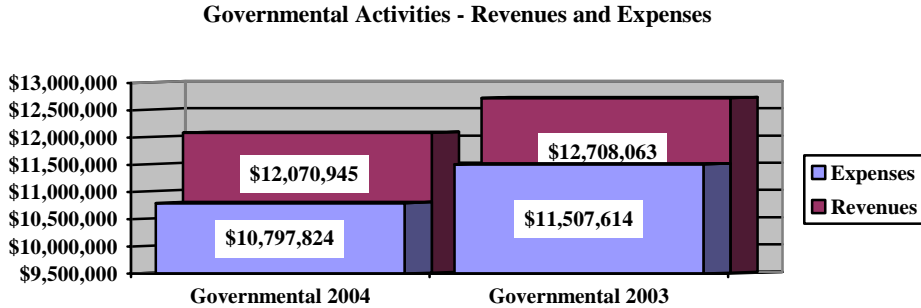
Net assets of the Career Center's governmental activities increased by \$1,043,121. Total governmental expenses of \$10,797,824 were offset by program revenues of \$1,633,797 and general revenues of \$10,437,148. Program revenues supported 15.13% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 85.52% of total governmental revenue. Real estate property is reappraised every six years.

**DELAWARE AREA CENTER  
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The graph below presents the Career Center's governmental activities revenue and expenses for fiscal years 2004 and 2003.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2004 and 2003. It identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Certain 2003 amounts have been reclassified to conform with the 2004 presentation.

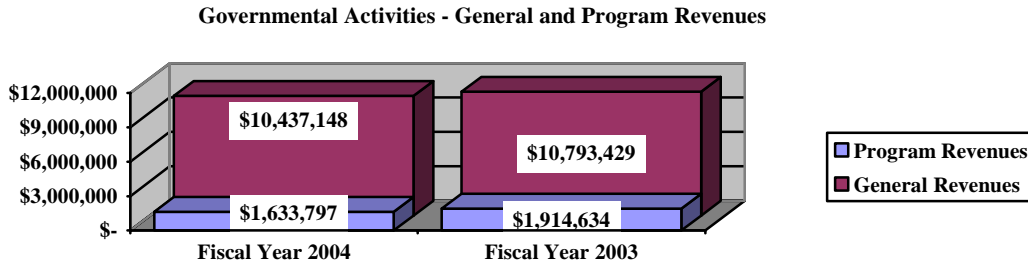
	<b>Governmental Activities</b>			
	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program expenses:				
Instruction:				
Regular	\$ 881,305	\$ 815,155	\$ 869,578	\$ 869,578
Vocational	4,905,627	3,733,583	5,655,958	3,999,530
Adult/continuing education	123,553	41,519	154,794	30,944
Other	18,057	18,057	-	-
Support services:				
Pupil	495,434	457,019	448,306	406,788
Instructional staff	337,746	254,260	344,487	344,487
Board of Education	116,964	116,964	126,874	126,874
Administration	1,532,175	1,510,808	1,588,157	1,588,157
Fiscal	449,773	449,773	491,422	491,422
Business	1,443	1,443	-	-
Operations and maintenance	1,196,815	1,140,107	1,443,322	1,443,322
Pupil transportation	14,161	14,161	19,927	19,927
Central	478,315	460,315	90,954	90,954
Operation of non-instructional services	44,800	44,800	23,410	23,410
Extracurricular activities	14,450	2,301	40,295	40,295
Food service operations	168,374	84,930	186,132	93,294
Interest and fiscal charges	<u>18,832</u>	<u>18,832</u>	<u>23,998</u>	<u>23,998</u>
<b>Total expenses</b>	<b><u>\$ 10,797,824</u></b>	<b><u>\$ 9,164,027</u></b>	<b><u>\$ 11,507,614</u></b>	<b><u>\$ 9,592,980</u></b>

**DELAWARE AREA CENTER  
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The dependence upon tax revenues during fiscal year 2004 for governmental activities is apparent, as 77.73% of 2004 instruction activities are supported through taxes and other general revenues. All governmental activities, general revenue support is 84.87% in 2004. The Career Center's taxpayers, as a whole, is by far the primary support for Career Center's students.

The graph below presents the Career Center's governmental activities revenue for fiscal years 2004 and 2003.



**Business-Type Activities**

The adult education program provides the business-type activities. This program had revenues of \$861,533 and expenses of \$1,002,793 for fiscal year 2004. During fiscal year 2004, the adult education program received transfers of \$230,000. The Career Center took steps to reduce expenses in the adult education program, including renegotiating vendor agreements. The Career Center's business activities receive no support from tax revenues.

**The Career Center's Funds**

The Career Center's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$5,988,810, which is below last year's total of \$6,164,366. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	Increase/ <u>Decrease</u>
General	\$ 5,388,975	\$ 5,390,566	\$ (1,591)
Permanent Improvement	283,989	695,619	(411,630)
Other Governmental	<u>315,846</u>	<u>78,181</u>	<u>237,665</u>
Total	<u>\$ 5,988,810</u>	<u>\$ 6,164,366</u>	<u>\$ (175,556)</u>

**General Fund**

The Career Center's general fund balance decreased by \$1,591. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

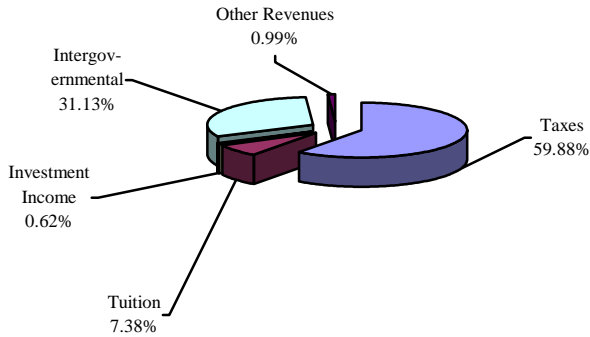
**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

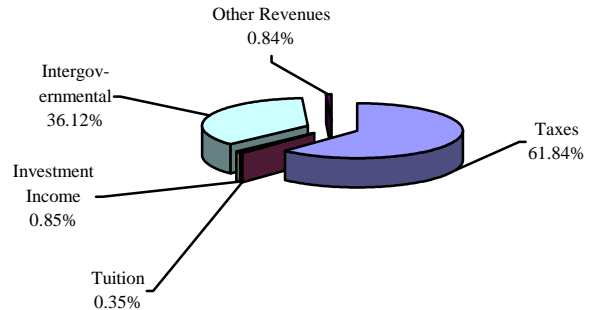
	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 6,013,898	\$ 6,286,430	(4.34) %
Tuition	741,563	35,650	1,980.12 %
Interest earnings	61,844	86,428	(28.44) %
Intergovernmental	3,126,831	3,671,900	(14.84) %
Other revenues	<u>99,336</u>	<u>85,578</u>	16.08 %
Total	<u>\$ 10,043,472</u>	<u>\$ 10,165,986</u>	(1.21) %

Tuition revenue increased \$705,913 or 1,980.12% from the prior year. Intergovernmental revenue decreased \$545,069 or 14.84% from the prior year. This decrease is attributed to the decrease in the number of grants the Career Center received in 2004. The decrease in investment income is due to drastic cuts in interest rates by the Federal Reserve Bank throughout the year. The significant increases in tuition is due to additional programs offered by the Career Center and a change in the method used to record tuition. All other revenue remained comparable to 2003.

**Revenues - Fiscal Year 2004**



**Revenues - Fiscal Year 2003**



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

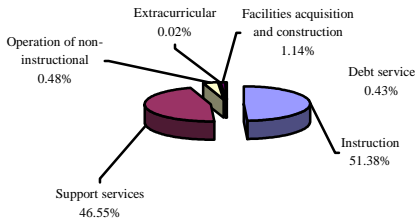
	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
Instruction	\$ 4,823,470	\$ 4,994,184	(3.42) %
Support services	4,370,057	4,130,318	5.80 %
Operation of non-instructional services	44,800	5,365	735.04 %
Extracurricular activities	1,988	31,245	(93.64) %
Capital outlay	-	3,583	(100.00) %
Facilities acquisition and construction	107,384	-	100.00 %
Debt Service	<u>40,289</u>	<u>40,288</u>	0.00 %
Total	<u>\$ 9,387,988</u>	<u>\$ 9,161,112</u>	2.48 %

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

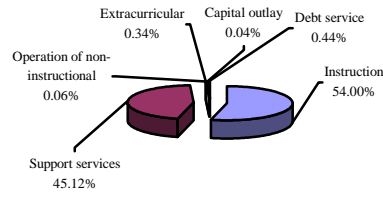
MANAGEMENT ' S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

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

**Expenditures - Fiscal Year 2004**



**Expenditures - Fiscal Year 2003**



***Permanent Improvement Fund***

The permanent improvement fund had \$1,079,704 in revenues and \$1,491,334 in expenditures. The permanent improvement fund ' s fund balance decreased from \$695,619 to \$283,989.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2004, the Career Center amended its general fund budget numerous times, none significant. The Career Center uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$11,511,029, above original budget estimates of \$11,322,504. Actual revenues and other financing sources were \$11,357,637 this was \$153,392 below final budgeted revenues and other financing sources.

General fund original appropriations (expenditures and other financing uses) of \$11,357,919 were decreased to \$11,194,114 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$10,597,206 which was \$596,908 less than the final budget appropriations, primarily because salary costs proved to be lower than anticipated in the original and final budget.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Capital Assets and Debt Administration**

*Capital Assets*

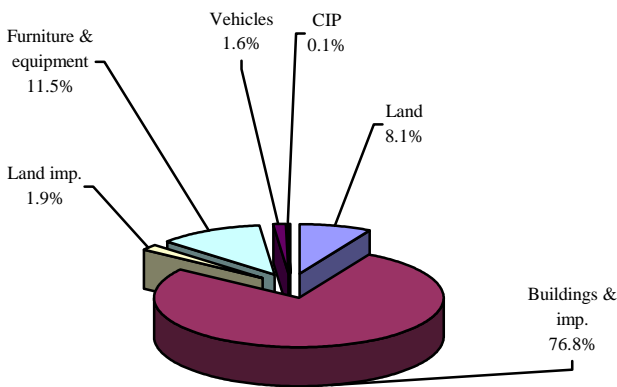
At the end of fiscal 2004, the Career Center had \$8,214,755 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. The total amount was reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

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

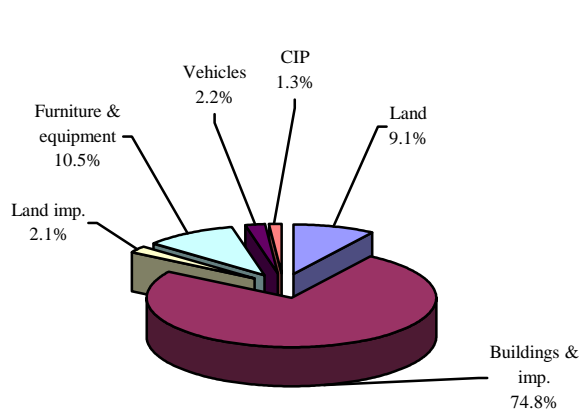
	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Land	\$ 662,718	\$ 662,718
Land improvements	158,651	156,739
Building and improvements	6,303,552	5,416,684
Furniture and equipment	942,956	762,573
Vehicles	135,383	161,007
Construction-in-Progress	11,495	92,103
<b>Total</b>	<b><u>\$ 8,214,755</u></b>	<b><u>\$ 7,251,824</u></b>

The following graphs show the breakdown of governmental activities capital assets by category for 2004 and 2003.

**Capital Assets - Governmental Activities  
2004**



**Capital Assets - Governmental Activities  
2003**



See Note 8 to the basic financial statements for additional information on the Career Center's capital assets.

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

MANAGEMENT ' S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

***Debt Administration***

At June 30, 2004 the Career Center had \$225,000 in energy conservation loans, \$283,333 in building assistance loans and \$60,793 in capital lease obligations outstanding. Of this total, \$135,150 is due within one year and \$433,976 is due within greater than one year. The following table summarizes the bonds and loan outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
Energy conservation loans	\$ 225,000	\$ 290,000
Business assistance loans	283,333	316,667
Capital lease obligations	<u>60,793</u>	<u>97,040</u>
Total	<u>\$ 569,126</u>	<u>\$ 703,707</u>

At June 30, 2004 the Career Center ' s overall legal debt margin was \$321,617,163 with an unvoted debt margin of \$3,570,376.

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

**Current Financial Related Activity**

The finances are stable; however, the District will have to decide how to address a 1.3 mill Operating levy and a 0.4 mill Permanent Improvement levy that will expire in December 31, 2006.

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

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

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

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . .	\$ 5,556,159	\$ 51,782	\$ 5,607,941
Receivables:			
Taxes . . . . .	8,199,277	-	8,199,277
Accounts . . . . .	3,832	26,400	30,232
Intergovernmental . . . . .	404,254	28,438	432,692
Accrued interest . . . . .	19,858	-	19,858
Prepayments . . . . .	50,005	2,955	52,960
Materials and supplies inventory. . . . .	58,002	-	58,002
Capital assets:			
Land . . . . .	662,718	-	662,718
Construction in progress . . . . .	11,495	-	11,495
Depreciable capital assets, net . . . . .	7,540,542	-	7,540,542
Capital assets, net. . . . .	<u>8,214,755</u>	<u>-</u>	<u>8,214,755</u>
Total assets. . . . .	<u>22,506,142</u>	<u>109,575</u>	<u>22,615,717</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	50,547	728	51,275
Accrued wages and benefits . . . . .	737,282	42,045	779,327
Compensated absences. . . . .	-	-	-
Pension obligation payable. . . . .	114,212	5,885	120,097
Intergovernmental payable . . . . .	51,084	4,420	55,504
Deferred revenue . . . . .	7,028,947	-	7,028,947
Long-term liabilities:			
Due within one year. . . . .	188,020	7,478	195,498
Due within more than one year . . . . .	946,902	6,226	953,128
Total liabilities. . . . .	<u>9,116,994</u>	<u>66,782</u>	<u>9,183,776</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt. . . . .	7,645,629	-	7,645,629
Restricted for:			
Capital projects . . . . .	315,687	-	315,687
Debt service. . . . .	283,333	-	283,333
Other purposes . . . . .	64,068	-	64,068
Unrestricted. . . . .	<u>5,080,431</u>	<u>42,793</u>	<u>5,123,224</u>
Total net assets. . . . .	<u>\$ 13,389,148</u>	<u>\$ 42,793</u>	<u>\$ 13,431,941</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental activities:</b>			
Instruction:			
Regular . . . . .	\$ 881,305	\$ -	\$ 66,150
Vocational . . . . .	4,905,627	312,518	859,526
Adult/continuing education . . . . .	123,553	-	82,034
Other . . . . .	18,057	-	-
Support services:			
Pupil . . . . .	495,434	-	38,415
Instructional staff . . . . .	337,746	-	83,486
Board of education . . . . .	116,964	-	-
Administration. . . . .	1,532,175	-	21,367
Fiscal. . . . .	449,773	-	-
Business. . . . .	1,443	-	-
Operations and maintenance . . . . .	1,196,815	56,708	-
Pupil transportation. . . . .	14,161	-	-
Central . . . . .	478,315	-	18,000
Operation of non-instructional services . . . . .	44,800	-	-
Extracurricular activities. . . . .	14,450	12,149	-
Food service operations . . . . .	168,374	75,060	8,384
Interest and fiscal charges . . . . .	18,832	-	-
Total governmental activities . . . . .	10,797,824	456,435	1,177,362
<b>Business-type activities:</b>			
Adult education. . . . .	1,002,793	703,111	158,422
Total business-type activities . . . . .	1,002,793	703,111	158,422
Totals . . . . .	\$ 11,800,617	\$ 1,159,546	\$ 1,335,784

**General Revenues:**

Property taxes levied for:
General purposes . . . . .
Capital projects. . . . .
Grants and entitlements not restricted to specific programs. . . . .
Payment in lieu of taxes . . . . .
Investment earnings . . . . .
Miscellaneous . . . . .
Total general revenues . . . . .
Transfers . . . . .
Total general revenues and transfers . . . . .
Change in net assets . . . . .
Net assets at beginning of year. . . . .
Net assets at end of year . . . . .

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue  
and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (815,155)	\$ -	\$ (815,155)
(3,733,583)	-	(3,733,583)
(41,519)	-	(41,519)
(18,057)	-	(18,057)
(457,019)	-	(457,019)
(254,260)	-	(254,260)
(116,964)	-	(116,964)
(1,510,808)	-	(1,510,808)
(449,773)	-	(449,773)
(1,443)	-	(1,443)
(1,140,107)	-	(1,140,107)
(14,161)	-	(14,161)
(460,315)	-	(460,315)
(44,800)	-	(44,800)
(2,301)	-	(2,301)
(84,930)	-	(84,930)
(18,832)	-	(18,832)
(9,164,027)	-	(9,164,027)
-	(141,260)	(141,260)
-	(141,260)	(141,260)
(9,164,027)	(141,260)	(9,305,287)
6,091,309	-	6,091,309
987,487	-	987,487
3,244,116	-	3,244,116
6,629	-	6,629
65,057	-	65,057
42,550	-	42,550
10,437,148	-	10,437,148
(230,000)	230,000	-
10,207,148	230,000	10,437,148
1,043,121	88,740	1,131,861
12,346,027	(45,947)	12,300,080
\$ 13,389,148	\$ 42,793	\$ 13,431,941

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 4,912,033	\$ 163,494	\$ 431,530	\$ 5,507,057
Receivables:				
Taxes . . . . .	7,068,981	1,130,296	-	8,199,277
Accounts . . . . .	2,889	-	943	3,832
Intergovernmental . . . . .	298,550	-	105,704	404,254
Accrued interest . . . . .	19,858	-	-	19,858
Interfund loans . . . . .	106,069	-	-	106,069
Prepayments . . . . .	50,005	-	-	50,005
Materials and supplies inventory . . . . .	56,257	-	1,745	58,002
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	49,102	-	-	49,102
<b>Total assets . . . . .</b>	<u>\$ 12,563,744</u>	<u>\$ 1,293,790</u>	<u>\$ 539,922</u>	<u>\$ 14,397,456</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 37,120	\$ 11,492	\$ 1,935	\$ 50,547
Accrued wages and benefits . . . . .	686,367	-	50,915	737,282
Compensated absences payable . . . . .	27,596	-	-	27,596
Pension obligation payable . . . . .	101,406	-	12,806	114,212
Intergovernmental payable . . . . .	47,380	-	3,704	51,084
Interfund loans payable . . . . .	-	-	106,069	106,069
Deferred revenue . . . . .	6,274,900	998,309	48,647	7,321,856
<b>Total liabilities . . . . .</b>	<u>7,174,769</u>	<u>1,009,801</u>	<u>224,076</u>	<u>8,408,646</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	291,997	104,946	28,132	425,075
Reserved for budget stabilization . . . . .	49,102	-	-	49,102
Reserved for materials and supplies inventory . . . . .	56,257	-	1,745	58,002
Reserved for property tax unavailable for appropriation . . . . .	813,913	131,987	-	945,900
Reserved for prepayments . . . . .	50,005	-	-	50,005
Reserved for debt service . . . . .	-	-	283,333	283,333
Unreserved, undesignated, reported in:				
General fund . . . . .	4,127,701	-	-	4,127,701
Special revenue funds . . . . .	-	-	2,636	2,636
Capital projects funds . . . . .	-	47,056	-	47,056
<b>Total fund balances . . . . .</b>	<u>5,388,975</u>	<u>283,989</u>	<u>315,846</u>	<u>5,988,810</u>
<b>Total liabilities and fund balances . . . . .</b>	<u>\$ 12,563,744</u>	<u>\$ 1,293,790</u>	<u>\$ 539,922</u>	<u>\$ 14,397,456</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

<b>Total governmental fund balances</b>		\$	5,988,810
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			8,214,755
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	234,430	
Interest revenue		19,832	
Intergovernmental revenue		38,647	
Total			292,909
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.			
Building assistance loan		283,333	
Energy conservation loans		225,000	
Compensated absences		538,200	
Capital lease obligation		60,793	
Total			(1,107,326)
<b>Net assets of governmental activities</b>		\$	13,389,148

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 6,013,898	\$ 955,789	\$ -	\$ 6,969,687
Tuition. . . . .	741,563	-	-	741,563
Earnings on investments. . . . .	61,844	-	75	61,919
Charges for services . . . . .	-	-	75,060	75,060
Extracurricular. . . . .	-	-	12,149	12,149
Classroom materials and fees . . . . .	79	-	49,958	50,037
Other local revenues. . . . .	99,257	-	237,440	336,697
Payment in lieu of taxes . . . . .	6,629	-	-	6,629
Intergovernmental - State . . . . .	3,102,145	123,915	138,105	3,364,165
Intergovernmental - Federal. . . . .	18,057	-	329,658	347,715
Total revenue . . . . .	<u>10,043,472</u>	<u>1,079,704</u>	<u>842,445</u>	<u>11,965,621</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	804,589	-	52,717	857,306
Vocational. . . . .	4,000,704	396,880	374,092	4,771,676
Adult/Continuing education . . . . .	120	-	123,176	123,296
Other . . . . .	18,057	-	-	18,057
Support Services:				
Pupil. . . . .	400,337	-	85,459	485,796
Instructional staff . . . . .	236,340	-	94,268	330,608
Board of education . . . . .	115,342	-	-	115,342
Administration. . . . .	1,532,990	-	5,512	1,538,502
Fiscal . . . . .	431,810	17,525	-	449,335
Business . . . . .	1,443	-	-	1,443
Operations and maintenance. . . . .	1,181,427	-	-	1,181,427
Pupil transportation . . . . .	14,161	-	-	14,161
Central. . . . .	456,207	-	17,583	473,790
Operation of non-instructional services . . . . .	44,800	-	-	44,800
Extracurricular activities. . . . .	1,988	-	12,462	14,450
Facilities acquisition and construction . . . . .	107,384	1,076,929	-	1,184,313
Food service operations . . . . .	-	-	153,462	153,462
Debt service:				
Principal retirement . . . . .	36,247	-	98,334	134,581
Interest and fiscal charges . . . . .	4,042	-	14,790	18,832
Total expenditures . . . . .	<u>9,387,988</u>	<u>1,491,334</u>	<u>1,031,855</u>	<u>11,911,177</u>
Excess of revenues over (under) expenditures. . . . .	<u>655,484</u>	<u>(411,630)</u>	<u>(189,410)</u>	<u>54,444</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	-	-	427,075	427,075
Transfers (out) . . . . .	(657,075)	-	-	(657,075)
Total other financing sources (uses) . . . . .	<u>(657,075)</u>	<u>-</u>	<u>427,075</u>	<u>(230,000)</u>
Net change in fund balances . . . . .	(1,591)	(411,630)	237,665	(175,556)
<b>Fund balances at beginning of year. . . . .</b>	<u>5,390,566</u>	<u>695,619</u>	<u>78,181</u>	<u>6,164,366</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 5,388,975</u>	<u>\$ 283,989</u>	<u>\$ 315,846</u>	<u>\$ 5,988,810</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<b>Net change in fund balances - total governmental funds</b>	\$	(175,556)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,331,705) exceeds depreciation expense (\$359,014) in the current period.		972,691
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(9,760)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		105,324
Repayment of loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		134,581
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		15,841
<b>Change in net assets of governmental activities</b>	\$	<u>1,043,121</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 6,574,287	\$ 6,873,786	\$ 6,729,106	\$ (144,680)
Tuition. . . . .	770,985	770,985	741,563	(29,422)
Earnings on investments. . . . .	70,000	70,000	82,937	12,937
Classroom materials and fees . . . . .	-	-	79	79
Other local revenues . . . . .	90,000	90,000	100,614	10,614
Other revenue . . . . .	5,110	5,110	7,208	2,098
Intergovernmental - State . . . . .	3,217,823	3,091,849	3,102,145	10,296
Intergovernmental - Federal. . . . .	4,625	19,625	18,057	(1,568)
Total revenue . . . . .	<u>10,732,830</u>	<u>10,921,355</u>	<u>10,781,709</u>	<u>(139,646)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	870,043	834,369	811,578	22,791
Vocational. . . . .	4,555,046	4,157,051	3,963,791	193,260
Adult/continuing. . . . .	351	351	120	231
Other. . . . .	-	31,324	18,057	13,267
Support services:				
Pupil. . . . .	426,896	410,077	393,145	16,932
Instructional staff . . . . .	266,173	245,693	240,930	4,763
Board of education . . . . .	191,787	157,535	133,659	23,876
Administration. . . . .	1,661,287	1,605,921	1,533,279	72,642
Fiscal . . . . .	552,323	461,651	442,897	18,754
Business . . . . .	2,724	1,484	1,484	-
Operations and maintenance. . . . .	1,406,194	1,400,863	1,303,937	96,926
Pupil transportation . . . . .	47,550	17,200	16,842	358
Central. . . . .	424,146	581,898	515,537	66,361
Operation of non-instructional services . . . .	12,915	9,915	9,620	295
Extracurricular activities. . . . .	4,162	3,978	2,099	1,879
Facilities acquisition and construction. . . .	136,077	115,686	113,113	2,573
Total expenditures . . . . .	<u>10,557,674</u>	<u>10,034,996</u>	<u>9,500,088</u>	<u>534,908</u>
Excess of revenues over expenditures. . . . .	<u>175,156</u>	<u>886,359</u>	<u>1,281,621</u>	<u>395,262</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	15,000	15,000	490	(14,510)
Transfers in. . . . .	-	-	764	764
Transfers (out) . . . . .	(725,545)	(692,501)	(692,501)	-
Advances in. . . . .	574,574	574,674	574,674	-
Advances (out) . . . . .	(75,000)	(466,617)	(404,617)	62,000
Total other financing sources (uses) . . . . .	<u>(210,971)</u>	<u>(569,444)</u>	<u>(521,190)</u>	<u>48,254</u>
Net change in fund balance . . . . .	(35,815)	316,915	760,431	443,516
<b>Fund balance at beginning of year. . . . .</b>	3,782,850	3,782,850	3,782,850	-
<b>Prior year encumbrances appropriated . . . .</b>	120,553	120,553	120,553	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 3,867,588</u>	<u>\$ 4,220,318</u>	<u>\$ 4,663,834</u>	<u>\$ 443,516</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2004

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Adult Education</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 51,782
Receivables:	
Accounts . . . . .	26,400
Intergovernmental . . . . .	28,438
Prepayments . . . . .	2,955
Total assets . . . . .	109,575
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	728
Accrued wages and benefits . . . . .	42,045
Pension obligation payable. . . . .	5,885
Intergovernmental payable . . . . .	4,420
Total current liabilities . . . . .	53,078
Long-term liabilities:	
Compensated absences . . . . .	13,704
Total liabilities . . . . .	66,782
<b>Net assets:</b>	
Unrestricted. . . . .	42,793
Total net assets . . . . .	\$ 42,793

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Adult Education</b>
<b>Operating revenues:</b>	
Tuition and fees . . . . .	\$ 595,281
Other . . . . .	107,830
	703,111
<b>Operating expenses:</b>	
Personal services . . . . .	859,871
Purchased services . . . . .	67,780
Materials and supplies . . . . .	73,829
Other . . . . .	1,313
	1,002,793
Operating loss . . . . .	(299,682)
<b>Nonoperating revenues:</b>	
Operating grants . . . . .	158,422
	158,422
Loss before transfers . . . . .	(141,260)
Transfers in . . . . .	230,000
	88,740
Change in net assets . . . . .	88,740
<b>Net deficit at beginning of year . . . . .</b>	<b>(45,947)</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 42,793</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Business-Type Activities</b>
	<b>Enterprise Funds</b>
	<b>Adult Education</b>
<b>Cash flows from operating activities:</b>	
Cash received from tuition and fees . . . . .	\$ 580,965
Cash received from other operations. . . . .	95,746
Cash payments for personal services. . . . .	(865,167)
Cash payments for contractual services . . . . .	(63,296)
Cash payments for materials and supplies . . . . .	(75,089)
Cash payments for other expenses . . . . .	(1,313)
	(328,154)
Net cash used in operating activities . . . . .	(328,154)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from operating grants. . . . .	166,684
Cash received from transfers in . . . . .	230,000
Cash used in repayment of interfund loans . . . . .	(58,495)
	338,189
Net cash provided by noncapital financing activities . . . . .	338,189
Net increase in cash and cash equivalents. . . . .	10,035
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>41,747</b>
<b>Cash and cash equivalents at end of year. . . . .</b>	<b>\$ 51,782</b>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (299,682)
<b>Changes in assets and liabilities:</b>	
Increase in accounts receivable . . . . .	(26,400)
Decrease in prepayments . . . . .	1,327
Decrease in accounts payable . . . . .	(1,058)
Increase in accrued wages and benefits . . . . .	6,274
Increase in intergovernmental payable . . . . .	149
Increase in compensated absences payable . . . . .	1,051
Decrease in pension obligation payable . . . . .	(9,815)
	(29,572)
Net cash used in operating activities . . . . .	\$ (328,154)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 804	\$ 99,532
Receivables:		
Intergovernmental . . . . .	-	164,000
Total assets . . . . .	804	\$ 263,532
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 730
Pension obligation payable . . . . .	-	2,767
Undistributed monies . . . . .	-	6,218
Intergovernmental payable . . . . .	-	188,679
Due to students . . . . .	-	65,138
Total liabilities . . . . .	-	\$ 263,532
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	804	
Total net assets . . . . .	\$ 804	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 3
Gifts and contributions. . . . .	50
Total additions. . . . .	53
Change in net assets . . . . .	53
<b>Net assets at beginning of year. . . . .</b>	<b>751</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 804</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

The Career Center was established in 1972. The Career Center serves Delaware and the surrounding counties. It is staffed by 38 classified employees, 75 certified teaching personnel, and 11 administrative employees who provide services to 660 students and other community members. The Career Center currently operates two instructional/administration buildings.

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

The basic financial statements of the Career Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Career Center also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activity and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The Career Center has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise fund, subject to this same limitation. The Career Center has elected not to apply these FASB Statements and Interpretations. The Career Center's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. Component units are legally separate organizations for which the Career Center is financially accountable. The Career Center is financially accountable for an organization if the Career Center appoints a voting majority of the organization's governing board and (1) the Career Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Career Center is legally entitled to or can otherwise access the organization's resources; or (3) the Career Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or (4) the Career Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Career Center in that the Career Center approves the debt, the issuance of debt, or the levying of taxes. Based upon the application of this criteria, the Career Center has no component units. The financial statements of the reporting entity include only those of the Career Center (the primary government). The following organizations are described due to their relationship to the Career Center.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

*JOINTLY GOVERNED ORGANIZATIONS*

*Tri-Rivers Educational Computer Association (TRECA)*

The Career Center is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county, elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2004, the Career Center paid \$21,995 to TRECA for various services. Financial information can be obtained from Mike Carder, Director, at 2222 Marion/Mt. Gilead Road, Marion, Ohio 43302.

*Central Ohio Regional Professional Development Center*

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

*Central Ohio Special Education Regional Resource Center*

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

*INSURANCE PURCHASING POOLS*

*Ohio Association of School Business Officials Workers' Compensation Group Rating Plan*

The Career Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

*PROPRIETARY FUNDS*

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Career Center has one enterprise fund to account for adult education programs. This enterprise fund is considered a major enterprise fund.

*FIDUCIARY FUNDS*

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

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

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Career Center and for each function or program of the Career Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Career Center. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Career Center.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2004 is as follows:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Career Center Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2004.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control for the fund.

**F. Cash and Investments**

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

During fiscal year 2004, investments were limited to federal agency securities, repurchase agreements and non-negotiable certificates of deposit.

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

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2004 amounted to \$61,844 which includes \$10,476 assigned from other Career Center funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

An analysis of the Treasurer’s investment account at year-end is provided in Note 4.

**G. Inventory**

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

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

**H. Capital Assets**

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

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

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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 future retirement obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability in the fund financial statements when due.

**L. Fund Balance Reserves**

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

**M. Net Assets**

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

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

**N. Prepayments**

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

**O. Estimates**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**P. Restricted Assets**

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

**Q. Operating Revenues and Expenses**

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

**R. Interfund Activity**

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

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2004.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

Nonmajor Funds

Food Service	\$ 1,290
ABLE Grant	12
Enhancements	58
High Schools at Work	1,325
ABLE Civic	559
Vocational Education	51,226

These funds complied with Ohio state law, which does not permit cash basis deficits. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

State statute classifies monies held by the Career Center into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State 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 the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Career Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash on Hand:* At fiscal year-end, the Career Center had \$185 in undeposited cash on hand, which is included on the financial statements of the Career Center as part of "Equity in Pooled Cash and Cash Equivalents".

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

*Deposits:* At year-end, the carrying amount of the Career Center's deposits was \$3,086,085 and the bank balance was \$3,165,344. Both amounts include \$1,501,896 of non-negotiable certificates of deposit. Of the bank balance:

1. \$258,659 was covered by federal depository insurance; and

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

2. \$2,906,685 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be placed as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the Career Center. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Career Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the Career Center's name. The following is a breakdown of the Career Center's investments:

	<u>Category 1</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase agreements	\$ -	\$ 165,182	\$ 165,182	\$ 165,182
Federal agency securities	<u>2,456,825</u>	<u>-</u>	<u>2,456,825</u>	<u>2,456,825</u>
Total investments	<u>\$ 2,456,825</u>	<u>\$ 165,182</u>	<u>\$ 2,622,007</u>	<u>\$ 2,622,007</u>

The federal agency securities have maturity dates ranging from September, 2004 through April, 2006.

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 5,708,277	\$ -
Investments of the cash management pool:		
Repurchase agreements	(165,182)	165,182
Federal agency securities	(2,456,825)	2,456,825
Cash on hand	<u>(185)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 3,086,085</u>	<u>\$ 2,622,007</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund loans receivable/payable consisted of the following at June 30, 2004, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 106,069

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the statement of net assets.

- B. Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	\$ 427,075
Adult education fund	230,000

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

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Career Center prior to June 30.

The Career Center receives property taxes from Delaware County. The County Auditor periodically advances to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 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, 2004 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, 2004 was \$813,913 in the general fund and \$131,987 in the permanent improvement fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2003 was \$1,529,048 in the general fund and \$248,625 in the permanent improvement 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.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 2,957,145,710	88.48	\$ 3,223,979,540	90.30
Public Utility Personal	124,370,940	3.72	123,710,080	3.46
Tangible Personal Property	<u>260,851,571</u>	<u>7.80</u>	<u>222,686,267</u>	<u>6.24</u>
Total	<u>\$ 3,342,368,221</u>	<u>100.00</u>	<u>\$ 3,570,375,887</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$	3.20	\$	3.20

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental Activities**

Taxes	\$ 8,199,277
Accounts	3,832
Intergovernmental	404,254
Accrued interest	19,858

**Business-type Activities**

Accounts	26,400
Intergovernmental	<u>28,438</u>
Total receivables	<u>\$ 8,682,059</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year-ended June 30, 2004, was as follows:

	<u>Balance 06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/04</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 662,718	\$ -	\$ -	\$ 662,718
Construction in progress	<u>92,103</u>	<u>11,495</u>	<u>(92,103)</u>	<u>11,495</u>
Total capital assets, not being depreciated	<u>754,821</u>	<u>11,495</u>	<u>(92,103)</u>	<u>674,213</u>
Capital assets, being depreciated:				
Land improvements	187,337	9,500	-	196,837
Building/improvements	6,587,726	1,040,633	-	7,628,359
Furniture/equipment	1,610,178	362,180	(45,018)	1,927,340
Vehicles	<u>237,238</u>	<u>-</u>	<u>(4,000)</u>	<u>233,238</u>
Total capital assets, being depreciated	<u>8,622,479</u>	<u>1,412,313</u>	<u>(49,018)</u>	<u>9,985,774</u>
Less: accumulated depreciation:				
Land improvements	(30,598)	(7,588)	-	(38,186)
Building/improvements	(1,171,042)	(153,765)	-	(1,324,807)
Furniture/equipment	(847,605)	(173,704)	36,925	(984,384)
Vehicles	<u>(76,231)</u>	<u>(23,957)</u>	<u>2,333</u>	<u>(97,855)</u>
Total accumulated depreciation	<u>(2,125,476)</u>	<u>(359,014)</u>	<u>39,258</u>	<u>(2,445,232)</u>
Governmental activities capital assets, net	<u>\$ 7,251,824</u>	<u>\$ 1,064,794</u>	<u>\$ (101,863)</u>	<u>\$ 8,214,755</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 18,432
Vocational	237,055
Adult/continuing education	6,304
Support Services:	
Pupil	2,321
Instructional staff	6,289
Board of education	1,622
Administration	21,245
Operations and maintenance of plant	42,595
Central	3,849
Food service operations	<u>19,302</u>
Total depreciation expense	<u>\$ 359,014</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

Governmental activities capital assets consisting of computer equipment and the school buses have been capitalized in the amount of \$165,543. This amount represents the present value of the future minimum lease payments at the time of acquisition.

A corresponding liability is recorded in the government-wide financial statements. Principal payments in the 2004 fiscal year totaled \$36,247. These amounts are reported as debt service payments of the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

<u>Year Ending June 30</u>	<u>Amount</u>
2005	\$ 34,027
2006	27,510
2007	<u>2,158</u>
Total minimum lease payment	63,695
Less: amount representing interest	<u>(2,902)</u>
Present value of minimum lease payments	<u>\$ 60,793</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

	Balance			Balance	Amounts
	<u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/04</u>	<u>Due in</u>
					<u>One Year</u>
<b>Governmental Activities</b>					
Compensated absences payable	\$ 549,541	\$ 110,203	\$ (93,948)	\$ 565,796	\$ 52,870
Building assistance loan payable	316,667	-	(33,334)	283,333	33,334
Energy conservation loan payable	290,000	-	(65,000)	225,000	70,000
Capital lease obligation	<u>97,040</u>	<u>-</u>	<u>(36,247)</u>	<u>60,793</u>	<u>31,816</u>
Total governmental activities long-term liabilities	<u>\$ 1,253,248</u>	<u>\$ 110,203</u>	<u>\$ (228,529)</u>	<u>\$ 1,134,922</u>	<u>\$ 188,020</u>
<b>Business-Type Activities</b>					
Compensated absences	<u>12,653</u>	<u>7,478</u>	<u>(6,427)</u>	<u>13,704</u>	<u>7,478</u>
Total business-type activities long-term liabilities	<u>\$ 12,653</u>	<u>\$ 7,478</u>	<u>\$ (6,427)</u>	<u>\$ 13,704</u>	<u>\$ 7,478</u>

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

- B.** Principal and interest requirements to retire the building assistance and the energy conservation loans outstanding at June 30, 2004 are as follows:

Fiscal Year Ending June 30	Building Assistance Loan			Energy Conservation Loan		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 33,334	\$ -	\$ 33,334	\$ 70,000	\$ 11,475	\$ 81,475
2006	33,334	-	33,334	75,000	7,905	82,905
2007	33,334	-	33,334	80,000	4,080	84,080
2008	33,334	-	33,334	-	-	-
2009	33,334	-	33,334	-	-	-
2010 - 2013	<u>116,663</u>	<u>-</u>	<u>116,663</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 283,333</u>	<u>\$ -</u>	<u>\$ 283,333</u>	<u>\$ 225,000</u>	<u>\$ 23,460</u>	<u>\$ 248,460</u>

**C. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$321,617,163 (including available funds of \$283,333) an unvoted debt margin of \$3,570,376.

**NOTE 11 - RISK MANAGEMENT**

**A. Property and Liability**

The Career Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the Career Center contracted with the following insurance coverage:

Coverage provided by Ohio School Plan is as follows:

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

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

Buildings and Contents	24,087,000
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2004, the Career Center participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**B. Worker's Compensation Plan**

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

**C. Health Care Benefits**

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 10% of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current Career Center rate is 14% of annual covered payroll. A portion of the Career Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The Career Center's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$182,540, \$151,070, and \$92,276, respectively; 100% has been contributed for fiscal years 2004, 2003 and 2002.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**B. State Teachers Retirement System**

The Career Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

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

Plan members are required to contribute 10% of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current Career Center rate is 14% of annual covered payroll. A portion of the Career Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The Career Center's required contributions to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$650,997, \$434,101, and \$292,930, respectively; 100% has been contributed for fiscal years 2004, 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$443 made by the Career Center and \$7,000 made by plan members.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The Career Center's liability is 6.2% of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the Career Center, this amount equaled \$50,077 during fiscal 2004.

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

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

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the Career Center, the amount to fund health care benefits, including surcharge, equaled \$103,100 during the 2004 fiscal year.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 760,431
Net adjustment for revenue accruals	(738,237)
Net adjustment for expenditure accruals	(203,221)
Net adjustment for other sources/uses	(135,884)
Adjustment for encumbrances	315,320
GAAP basis	\$ (1,591)

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The Career Center receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Career Center. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Career Center.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 15 - CONTINGENCIES - (Continued)**

**B. Litigation**

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

**C. State School Funding Decision**

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

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

**NOTE 16 - STATUTORY RESERVES**

The Career Center is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2003	\$ (251,599)	\$ -	\$ 49,102
Current year set-aside requirement	69,894	69,894	-
Current year offsets	-	(69,894)	-
Qualifying disbursements	<u>(171,080)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (352,785)</u>	<u>\$ -</u>	<u>\$ 49,102</u>
Balance carried forward to FY 2005	<u>\$ (352,785)</u>	<u>\$ -</u>	<u>\$ 49,102</u>

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

A schedule of the governmental fund restricted assets at June 30, 2004 follows:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 17 - CONTRACTUAL COMMITMENTS**

As a result of a paving project at the south campus that was in progress at June 30, 2004, the ESC had the following outstanding contractual commitments at fiscal year-end:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Amount Outstanding</u>
M & D Blacktop Company	\$ 235,000	\$ 11,495	\$ 223,505
	<u>\$ 235,000</u>	<u>\$ 11,495</u>	<u>\$ 223,505</u>

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**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Delaware Area Career Center, Delaware County, Ohio, (the Center) as of and for the year ended June 30, 2004 which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. We also noted an immaterial instance of noncompliance that we have reported to the Center's management in a separate letter dated January 14, 2005.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Center in a separate letter dated January 14, 2005.

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

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

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

**Betty Montgomery**  
Auditor of State

January 14, 2005

DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2004

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

FINDING NUMBER 2004-001

**Purchase Orders Not Properly Certified**

**Ohio Rev. Code Section 5705.41(D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**1. "Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Center can authorize the drawing of a warrant for the payment of the amount due. The Center has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Center.

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The Center may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Thirty percent of the disbursements tested did not have prior certification nor was a "then and now" certification used by the fiscal officer. This procedure is not only required by Ohio law, but is a key control in the disbursement process to assure that purchase commitments receive prior certification, and to help reduce the possibility of the Center's funds being over expended or exceeding budgetary spending limitations, as set by the Board of Education.

We recommend that the Board of Education encumber funds in all circumstances.

**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2004  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2004-002**

**Finding for Recovery- Repaid under Audit**

Testing of out-of-state conference expenditures noted an instance where a staff member, Mr. Wayne Strunk, remained at a conference location for an additional day in excess of the approved scheduled time. This additional stay, and the related expenses, were not approved by the Board of Education. Mr. Strunk was approved to attend the T+L<sup>2</sup> Conference in Anaheim, California, from October 21 through October 25, 2003. However, Mr. Strunk remained in Anaheim until October 26, 2003. For this additional day, he incurred expenses for hotel, meals, phone calls, and parking which totaled \$136.70.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Wayne Strunk, Technology Facilitator, Chris Bell, Treasurer, and his bonding company, Auto Owners Mutual Insurance Company, jointly and severally, in the amount of \$136.70, and in favor of the Delaware Area Career Center General Fund.

Mr. Wayne Strunk repaid \$136.70 on October 6, 2004.



**DELAWARE AREA CAREER CENTER  
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	Proper documentation was not on some student registrations for the ABLE program. Some participant files were missing documentation for ABLE.	Not Corrected	The Center is not subject to a single audit for 2004.





**Auditor of State  
Betty Montgomery**

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**DELAWARE AREA CAREER CENTER**

**DELAWARE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 24, 2005**