

MAHONING COUNTY CAREER & TECHNICAL CENTER

INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

Board of Education
Mahoning County Career & Technical Center
7300 North Palmyra Rd.
Canfield, OH 44406

We have reviewed the Independent Auditor's Report of the Mahoning County Career & Technical Center, Mahoning County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 19, 2005

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**MAHONING COUNTY CAREER & TECHNICAL CENTER
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Mahoning County Career & Technical Center
7300 North Palmyra Road
Canfield, OH 44406

We have audited the accompanying financial statements of governmental activities, each major fund and the aggregate remaining fund information of the Mahoning County Career & Technical Center (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 an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

As described in Note 3, during the fiscal year ended June 30, 2004, the Center adopted Governmental Accounting Standards Board Statements No. 34, No. 37, No. 38, No. 41 and Interpretation No. 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2004 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting 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 thereon.

INDEPENDENT AUDITOR'S REPORT (continued)

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Center's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "G. B. Fink". The signature is stylized with a large initial "G" and a long horizontal line extending to the right.

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

November 17, 2004

Mahoning County Career & Technical Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not available. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for 2004 are as follows:

- The District's assets exceeded its liabilities at June 30, 2004, by \$14,306,848.
- General revenues accounted for \$8,808,579 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,854,346 or 17% of total revenues of \$10,662,925.
- The District had \$10,884,521 in expenses related to governmental activities; only \$1,854,346 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,808,579 were adequate to provide for these programs.
- The General Fund had \$9,070,728 in revenues and \$9,060,993 in expenditures. The General Fund's balance decreased by \$61,462.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements begin at a summary level 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 District, presenting both an aggregate view of the District'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 District's most significant fund with all other non-major funds presented in total in one column. The general fund is the most significant governmental fund.

Mahoning County Career & Technical Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

The analysis of the District as a whole begins with the Statement of Net Assets and the Statement of Activities. These statements provide information that will help the reader to determine whether the District is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Changes to our net assets are a direct result of the District's property tax base, facility conditions, required educational programs, student enrollment, and general inflation.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant fund. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District'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 financial statements provide a detailed short-term view of the District'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 basic financial statements.

Mahoning County Career & Technical Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore, a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

Table 1 provides a summary of the District's net assets for 2004.

Table 1			
Net Assets			
Governmental Activities			
	2004		
Assets			
Current and Other Assets	\$17,182,534		
Capital Assets	4,467,786		
<i>Total Assets</i>	<u>21,650,320</u>		
Liabilities			
Current Liabilities	6,441,893		
Long-Term Liabilities			
Due within One Year	250,946		
Due in More than One Year	650,633		
<i>Total Liabilities</i>	<u>7,343,472</u>		
Net Assets			
Invested in Capital Assets			
Net of Depreciation	4,467,786		
Restricted for Capital Outlay	34,977		
Restricted for Other Purposes	535,646		
Unrestricted	9,268,439		
<i>Total Net Assets</i>	<u>\$14,306,848</u>		

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$14,306,848.

At fiscal year-end, capital assets represented 20.7% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related depreciation at June 30, 2004, were \$4,467,786. These capital assets are used to provide services to the students and are not available for future spending.

Mahoning County Career & Technical Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

Table 2		
Change in Net Assets		
Governmental Activities		
	2004	
Revenues		
Program Revenues		
Charges for Services and Sales	\$683,981	
Operating Grants and Contributions	1,170,365	
<i>Total Program Revenues</i>	<u>1,854,346</u>	
General Revenues		
Property and Other Local Taxes	5,607,300	
Grants and Entitlements not Restricted to Specific Programs	2,952,946	
Investment Earnings	232,431	
Miscellaneous	15,902	
<i>Total General Revenues and Property and Other Local Taxes</i>	<u>8,808,579</u>	
<i>Total Revenues</i>	<u>10,662,925</u>	
Program Expenses		
Governmental Activities:		
Instruction:		
Regular	1,285,899	
Adult/Continuing	626,273	
Vocational	3,571,647	
Support Services:		
Pupil	1,277,505	
Instructional Staff	1,394,890	
Board of Education	44,939	
Administration	665,625	
Fiscal	340,576	
Business	514	
Operation and Maintenance of Plant	1,109,508	
Pupil Transportation	29,668	
Central	300,358	
Operation of Non-Instructional Services	182,668	
Extracurricular Activities	54,451	
<i>Total Governmental Activities</i>	<u>10,884,521</u>	
<i>Decrease in Net Assets</i>	(221,596)	
Net Assets Beginning of Year	14,528,444	
<i>Net Assets End of Year</i>	<u>\$14,306,848</u>	

Mahoning County Career & Technical Center
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2004
 Unaudited

Governmental Activities

Net assets of the District's governmental activities decreased by \$221,596. Total governmental expenses of \$10,884,521 were offset by program revenues of \$1,854,346 and general revenues of \$8,808,579. General revenues supported 81% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 97% of total governmental revenue.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	Total Cost of Services	Net Cost of Services
Program Expenses		
Instruction	\$5,483,819	\$4,781,037
Support Services	5,163,583	4,163,273
Operation of Non-Instructional Services	182,668	32,959
Extracurricular Activities	54,451	52,906
<i>Total Expenditures</i>	\$10,884,521	\$9,030,175

The District's Funds

Information regarding the District's major fund and all other governmental funds begins on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,696,977 to offset expenditures of \$10,867,174.

General Fund Budgeting Highlights

The District'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 fund to be budgeted is the main operating fund of the District, the general fund.

During the course of fiscal year 2004, the District did not require any amendments to its original general fund appropriations. The District budget is adopted on a fund basis and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

Mahoning County Career & Technical Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

For the general fund, actual revenue totaled \$194,268 more than original estimates. The majority of this increase is attributable to an increase in open enrollment and property tax revenues. Actual expenditures totaled \$326,363 less than original appropriations. The majority of this difference was due to lower than expected maintenance, utilities, and supply expenses.

Capital Assets

At the end of fiscal year 2004, the District had \$4,467,786 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles.

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

	<u>2004</u>
Land	\$125,000
Land Improvements	9,969
Buildings and Improvements	2,500,645
Furniture and Equipment	1,629,320
Vehicles	<u>202,852</u>
<i>Total</i>	<u>\$4,467,786</u>

All capital assets, except land, are reported net of depreciation. For more information about the District's capital assets, see Note 9 to the basic financial statements.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Jane Rich, Treasurer, Mahoning County Career & Technical Center, 7300 North Palmyra Road, Canfield, Ohio 44406 or email at mjvs_jr@access-k12.org.

Mahoning County Career & Technical Center
Statement of Net Assets
June 30, 2004

	<u>Governmental</u> <u>Activities</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 7,526,801
Cash and Cash Equivalents with Fiscal Agents	3,205,900
Inventory Held for Resale	17,420
Materials and Supplies Inventory	13,406
Accrued Interest Receivable	7,608
Accounts Receivable	28,568
Intergovernmental Receivable	7,506
Taxes Receivable	6,375,325
Noncurrent Assets:	
Non-Depreciable Capital Assets	125,000
Depreciable Capital Assets, net	<u>4,342,786</u>
<i>Total Assets</i>	<u>21,650,320</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	47,540
Accrued Wages and Benefits	455,808
Intergovernmental Payable	98,464
Deferred Revenue	5,765,992
Compensated Absences Payable	74,089
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	250,946
Due in More Than One Year	<u>650,633</u>
<i>Total Liabilities</i>	<u>7,343,472</u>
NET ASSETS:	
Invested in Capital Assets, Net of depreciation	4,467,786
Restricted for Capital Outlay	34,977
Restricted for Other Purposes	535,646
Unrestricted	<u>9,268,439</u>
<i>Total Net Assets</i>	<u>\$ 14,306,848</u>

See accompanying Notes to the Basic Financial Statements

Mahoning County Career & Technical Center
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	<u>Program Revenues</u>			<u>Net(Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Assets</u>
<u>Expenses</u>	<u>Charges for</u> <u>Services and</u> <u>Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>	
Governmental Activities:				
Instruction:				
Regular	\$ 1,285,899	\$ 35,014	\$ 10,118	\$ (1,240,767)
Vocational	3,571,647	119,758	35,873	(3,416,016)
Adult/Continuing	626,273	206,585	295,434	(124,254)
Support Services:				
Pupils	1,277,505	28,137	271,907	(977,461)
Instructional Staff	1,394,890	71,205	244,128	(1,079,557)
Board of Education	44,939	1,262	11	(43,666)
Administration	665,625	87,324	81,679	(496,622)
Fiscal	340,576	9,407	80	(331,089)
Business	514	15		(499)
Operation and Maintenance of Plant	1,109,508	35,188	3,804	(1,070,516)
Pupil Transportation	29,668	642	5	(29,021)
Central	300,358	3,744	161,772	(134,842)
Operation of Non-Instructional Services	182,668	84,168	65,541	(32,959)
Extracurricular Activities	54,451	1,532	13	(52,906)
<i>Total Governmental Activities</i>	<u>10,884,521</u>	<u>683,981</u>	<u>1,170,365</u>	<u>(9,030,175)</u>
 <i>Totals</i>	<u>\$ 10,884,521</u>	<u>\$ 683,981</u>	<u>\$ 1,170,365</u>	<u>(9,030,175)</u>
 General Revenues:				
Property and Other Local Taxes				5,607,300
Grants and Entitlements not Restricted to Specific Programs				2,952,946
Investment Earnings				232,431
Miscellaneous				15,902
<i>Total General Revenues and Property and Other Local Taxes</i>				<u>8,808,579</u>
<i>Change in Net Assets</i>				(221,596)
<i>Net Assets Beginning of Year</i>				<u>14,528,444</u>
<i>Net Assets End of Year</i>				<u>\$ 14,306,848</u>

See accompanying Notes to the Basic Financial Statements

Mahoning County Career & Technical Center
Balance Sheet
Governmental Funds
June 30, 2004

	<u>GENERAL FUND</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 6,808,086	\$ 711,699	\$ 7,519,785
Cash and Cash Equivalents with Fiscal Agents	3,205,900		3,205,900
Inventory Held for Resale		17,420	17,420
Materials and Supplies Inventory	12,458	948	13,406
Accrued Interest Receivable	7,608		7,608
Accounts Receivable	2,493	26,075	28,568
Interfund Receivable	3,819		3,819
Intergovernmental Receivable	1,563	5,943	7,506
Taxes Receivable	6,375,325		6,375,325
<i>Total Assets</i>	<u>\$ 16,417,252</u>	<u>\$ 762,085</u>	<u>\$ 17,179,337</u>
LIABILITIES:			
Accounts Payable	46,315	1,225	47,540
Accrued Wages and Benefits	410,219	45,589	455,808
Interfund Payable		3,819	3,819
Intergovernmental Payable	86,770	11,694	98,464
Deferred Revenue	6,371,931	19,386	6,391,317
Compensated Absences Payable	64,706	9,383	74,089
<i>Total Liabilities</i>	<u>6,979,941</u>	<u>91,096</u>	<u>7,071,037</u>
Equity:			
FUND BALANCES:			
Reserved:			
Reserved for Encumbrances	432,076	1,165	433,241
Reserved for Inventory	14,067		14,067
Reserved for Property Taxes	3,394		3,394
Unreserved, Undesignated, Reported in:			
General Fund	8,987,774		8,987,774
Special Revenue Funds		669,824	669,824
<i>Total Fund Balances</i>	<u>9,437,311</u>	<u>670,989</u>	<u>10,108,300</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 16,417,252</u>	<u>\$ 762,085</u>	<u>\$ 17,179,337</u>

See accompanying Notes to the Basic Financial Statements

Mahoning County Career & Technical Center
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2004

Total Governmental Funds Balances	\$10,108,300
 <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	4,467,786
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property taxes	625,325
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	7,016
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(887,269)
Intergovernmental	(14,310)
Total	(901,579)
 <i>Net Assets of Governmental Activities</i>	 \$14,306,848

See accompanying Notes to the Basic Financial Statements

Mahoning County Career & Technical Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	<u>GENERAL</u> <u>FUND</u>	<u>All Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES:			
Property and Other Local Taxes	\$ 5,641,362		\$ 5,641,362
Intergovernmental	2,952,946	1,157,047	4,109,993
Interest	231,965	456	232,421
Tuition and Fees	213,633	359,144	572,777
Gifts and Donations	2,046	11,272	13,318
Customer Sales and Services	27,096	84,108	111,204
Miscellaneous	1,680	14,222	15,902
<i>Total Revenues</i>	<u>9,070,728</u>	<u>1,626,249</u>	<u>10,696,977</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	1,232,738	10,452	1,243,190
Vocational	3,107,929	73,979	3,181,908
Adult/Continuing		560,340	560,340
Support Services:			
Pupils	961,916	275,310	1,237,226
Instructional Staff	1,043,492	369,391	1,412,883
Board of Education	44,939		44,939
Administration	455,210	169,285	624,495
Fiscal	331,013		331,013
Business	514		514
Operation and Maintenance of Plant	1,063,925	10,121	1,074,046
Pupil Transportation	22,396	401	22,797
Central	133,272	166,393	299,665
Operation of Non-Instructional Services	2,126	170,509	172,635
Extracurricular Activities	53,961		53,961
Capital Outlay	607,562		607,562
<i>Total Expenditures</i>	<u>9,060,993</u>	<u>1,806,181</u>	<u>10,867,174</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>9,735</u>	<u>(179,932)</u>	<u>(170,197)</u>
OTHER FINANCING SOURCES AND (USES):			
Transfers In	0	71,197	71,197
Transfers Out	71,197	0	71,197
<i>Total Other Financing Sources and (Uses)</i>	<u>(71,197)</u>	<u>71,197</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(61,462)	(108,735)	(170,197)
<i>Fund Balance at Beginning of Year</i>	9,498,773	779,724	10,278,497
<i>Fund Balance at End of Year</i>	<u>\$ 9,437,311</u>	<u>\$ 670,989</u>	<u>\$ 10,108,300</u>

See accompanying Notes to the Basic Financial Statements

Mahoning County Career & Technical Center
*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*

Net Change in Fund Balances - Total Governmental Funds (\$170,197)

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

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. This is the amount by which capital
outlays exceeded depreciation in the current period. 1,915

Governmental funds only report the disposal of fixed assets to
the extent proceeds are received from the sale. In the
statement of activities, a gain or loss is reported for each
disposal. (7,817)

Revenues in the statement of activities that do not provide
current financial resources are not reported as revenues
in the funds.
Property Taxes (34,062)

Some expenses reported in the statement of activities,
such as compensated absences and intergovernmental
payable which represent contractually required pension
contributions, do not require the use of current financial
resources and therefore are not reported as expenditures
in governmental funds.

Compensated Absences	(60,238)	
Intergovernmental	(8,524)	
Early Retirement Incentive	<u>50,311</u>	
Total		(18,451)

The internal service fund used by management to charge the
the costs of insurance to individual funds are not
reported in the district-wide statement of activities.
Governmental fund expenditures and related internal
service fund revenues are eliminated. 7,016

Change in Net Assets of Governmental Activities (\$221,596)

See accompanying Notes to the Basic Financial Statements

Mahoning County Career & Technical Center
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 5,540,000	\$ 5,540,000	\$ 5,638,229	\$ 98,229
Intergovernmental	2,987,713	2,987,713	2,953,677	(34,036)
Interest	282,600	282,600	292,434	9,834
Tuition and Fees	95,000	95,000	213,532	118,532
Gifts and Donations	2,450	2,450	2,046	(404)
Customer Sales and Services	26,000	26,000	27,117	1,117
Miscellaneous	1,600	1,600	2,596	996
Total Revenues	<u>8,935,363</u>	<u>8,935,363</u>	<u>9,129,631</u>	<u>194,268</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,224,120	1,224,120	1,209,653	14,467
Vocational	3,259,597	3,259,597	3,099,492	160,105
Support Services:				
Pupils	1,019,548	1,019,548	934,518	85,030
Instructional Staff	1,240,045	1,240,045	1,216,242	23,803
Board of Education	66,904	66,904	58,001	8,903
Administration	465,105	465,105	455,455	9,650
Fiscal	342,456	342,456	329,985	12,471
Business	1,125	1,125	514	611
Operation and Maintenance of Plant	1,229,277	1,229,277	1,108,133	121,144
Pupil Transportation	24,086	24,086	22,376	1,710
Central	149,915	149,915	146,540	3,375
Operation of Non-Instructional Services:				
Food Service Operations	500	500	2,126	(1,626)
Extracurricular Activities:				
Occupation Oriented Activities	59,505	59,505	52,173	7,332
School and Public Service Co-Curricular Activities	1,635	1,635	1,506	129
Capital Outlay:				
Site Improvement Services	21,000	21,000	17,233	3,767
Building Improvement Services	724,166	724,166	848,674	(124,508)
Total Expenditures	<u>9,828,984</u>	<u>9,828,984</u>	<u>9,502,621</u>	<u>326,363</u>
Excess of Revenues Over (Under) Expenditures	<u>(893,621)</u>	<u>(893,621)</u>	<u>(372,990)</u>	<u>520,631</u>
OTHER FINANCING SOURCES AND USES:				
Advances In	96,311	96,311	96,311	0
Transfers Out	(75,000)	(75,000)	(71,197)	3,803
Advances Out	(10,000)	(10,000)	(3,819)	6,181
Total Other Financing Sources and Uses	<u>11,311</u>	<u>11,311</u>	<u>21,295</u>	<u>9,984</u>
Net Change in Fund Balances	<u>(882,310)</u>	<u>(882,310)</u>	<u>(351,695)</u>	<u>530,615</u>
Fund Balance at Beginning of Year	9,170,775	9,170,775	9,170,775	0
Prior Year Encumbrances Appropriated	<u>755,223</u>	<u>755,223</u>	<u>755,223</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 9,043,688</u>	<u>\$ 9,043,688</u>	<u>\$ 9,574,303</u>	<u>\$ 530,615</u>

See accompanying Notes to the Basic Financial Statements

Mahoning County Career & Technical Center
Statement of Fund Net Assets
Internal Service Fund
June 30, 2004

	<u>Internal Service</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 7,016
<i>Total Current Assets</i>	<u>7,016</u>
<i>Total Assets</i>	<u><u>7,016</u></u>
NET ASSETS:	
Unrestricted	<u>7,016</u>
<i>Total Net Assets</i>	<u><u>\$ 7,016</u></u>

See accompanying Notes to the Basic Financial Statements

Mahoning County Career & Technical Center
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	<u>Internal Service</u>
OPERATING REVENUES:	
Charges for Services	\$ 11,679
<i>Total Operating Revenues</i>	<u>11,679</u>
OPERATING EXPENSES:	
Purchased Services	468
Claims	<u>4,205</u>
<i>Total Operating Expenses</i>	<u>4,673</u>
<i>Operating Income</i>	<u>7,006</u>
NON-OPERATING REVENUES:	
Interest	<u>10</u>
<i>Total Non-Operating Revenues</i>	<u>10</u>
<i>Change in Net Assets</i>	7,016
Net Assets at Beginning of Year	<u>0</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 7,016</u></u>

See accompanying Notes to the Basic Financial Statements

Mahoning County Career & Technical Center
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	<u>Internal Service</u>
Cash Flows from Operating Activities	
Received from Customers	\$ 11,679
Payments for Contract Services	(468)
Payments for Claims	<u>(4,205)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>7,006</u>
Cash Flows from Investing Activities	
Received for Interest on Investments	<u>10</u>
<i>Net Cash Provided by Investing Activities</i>	<u>10</u>
<i>Net Increase in Cash and Cash Equivalents</i>	<u>7,016</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 7,016</u></u>
Reconciliation of Operating Income (Loss) to Net	
Cash Provided by (Used for) Operating Activities	
Operating Income	<u>7,006</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 7,006</u></u>

See accompanying Notes to the Basic Financial Statements

Mahoning County Career & Technical Center
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2004

	<u>Agency Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 21,156
<i>Total Current Assets</i>	<u>21,156</u>
<i>Total Assets</i>	<u><u>21,156</u></u>
LIABILITIES:	
Current Liabilities:	
Due to Students	<u>21,156</u>
<i>Total Current Liabilities</i>	<u>21,156</u>
<i>Total Liabilities</i>	<u><u>\$ 21,156</u></u>

See accompanying Notes to the Basic Financial Statements

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Mahoning County Career & Technical Center (School District) is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A vocational school exposes students to job training leading to employment upon graduation from high school. The School District includes thirteen member schools spread throughout Mahoning, Trumbull, Columbiana and Portage Counties.

The School District operates under a seven-member Board of Education and is responsible for the provision of public education to residents of the School District. The Board consists of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school districts, and one representative from each of the two city school districts, Struthers and Campbell. The Mahoning County Educational Service Center Governing Board cannot directly impose their will on the School District; therefore, the School District is a related organization of the Mahoning County Educational Service Center.

A. Reporting Entity

The reporting entity is composed of the stand-alone government, component units and other organizations that are included to ensure that the financial statements are not misleading. The stand-alone government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District this includes the agencies and departments that provide the following services: general operations, food service, adult education and student related activities of the School District.

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

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

City of Canfield - The city government is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional city services. Council acts as the taxing and budgeting authority for these city services.

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Member School Districts - The School District accepts non-tuition students from each of the thirteen member school districts. Each of the member school districts are considered separate political subdivisions and are not considered to be part of the School District.

Canfield Branch of the Mahoning County Public Library - The library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. The School District does not serve as the taxing authority for the library.

The School District participates in certain organizations which are defined as jointly governed organizations and as public entity risk pools. The jointly governed organizations are presented in Note 14 to the combined financial statements and the public entity risk pools are presented in Note 19. These organizations are:

- Area Cooperative Computerized Educational Service System/ACCESS Council
- MAC Tech Prep Consortium
- Ohio School Boards Association Workers' Compensation Group Rating Program
- Ohio School Plan
- Mahoning County Insurance Consortium

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements:

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

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

Fund Financial Statements:

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds:

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

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Proprietary Fund Type:

Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds. The following is a description of the School District's internal service fund:

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

Fiduciary Fund Type:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

C. Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

D. Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal values, 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 School District, available means expected to be received within sixty days of year-end.

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

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

Deferred Revenue:

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

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

E. Budgetary Data

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

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

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

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

During fiscal year 2004, investments were limited to securities issued by the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and the State Treasury Assets Reserve (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$231,965, which includes \$17,328 assigned from other School District funds.

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

G. Inventory

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

H. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District 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.

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

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	45 years
Furniture and Equipment	3 – 10 years
Vehicles	5 – 10 years

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

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

J. Accrued Liabilities and Long-term Obligations

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

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

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

K. 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

L. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for 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 are established for encumbrances, inventory and property tax.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenue or expense not meeting the definition of operating is reported as non-operating.

N. Interfund Activity

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

O. Estimates

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

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 3 –CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2004, The School District has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which resent information for individual funds rather than by fund type. Non-major funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

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

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of Statement No. 41 did not affect the presentation of the budgetary statements of the School District.

The government-wide financial statements split the School District’s programs between business-type and governmental activities. The School District has no business type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, due to reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

Restatement of Fund Balance:

For the School District, it was determined that enterprise funds should be reclassified as special revenue funds. The new standards for reporting fund obligations for compensated absences in Interpretation No. 6 also caused changes in previously reported fund balances. The implementation of these changes had the following effects on fund balance of the major and non-major funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

	<u>General</u>	<u>Non-Major</u>	<u>Total</u>
Fund Balances, June 30, 2003	\$9,498,773	31,885	9,530,658
GASB 34 Adjustments:			
Reclassify Enterprise to Special Revenue		693,282	693,282
Reclassify Trust Fund to Special Revenue		45,384	45,384
Reclassify Capital Assets		(67,961)	(67,961)
Reclassify Compensated Absences		77,134	77,134
Adjusted Fund Balances, June 30, 2003	<u>\$9,498,773</u>	<u>\$779,724</u>	10,278,497
GASB 34 Adjustments:			
Long-Term (Deferred) Assets			659,385
Capital Assets			4,473,690
Long-Term Liabilities			(883,128)
Governmental Activities Net Assets, June 30, 2003			<u>\$14,528,444</u>

NOTE 4 - ACCOUNTABILITY

At June 30, 2004, the Food Service, Adult Basic Literacy, Vocational Education, and Career Development funds had deficit fund balances of \$4,373, \$2,545, \$29,052, and \$120, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and Expendable Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis), Internal Service Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance (GAAP basis).

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4. Advances In and Advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund:

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$(61,462)
Revenue Accruals	97,597
Fair Value for Investments	(38,694)
Advance In	96,311
Expenditure Accruals	36,763
Advance Out	(3,819)
Encumbrances	<u>(478,391)</u>
Budget Basis	<u>(\$351,695)</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies may be deposited or invested in the following securities:

1. United States Treasury 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;

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For the Fiscal Year Ended June 30, 2004

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

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

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

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Notes to the Basic Financial Statements
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Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$5,986,864 and the bank balance was \$6,248,271. Of the bank balance \$238,165 was covered by federal depository insurance or in collateral securities in a Federal Reserve pledge account and \$6,010,106 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are un-classified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 1</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Federal National Mortgage Association Bond	\$ 920,491	920,491	920,491
Federal Home Loan Bank Bond	1,147,400	1,147,400	1,147,400
Federal Home Loan Mortgage Corporation Bond	843,127	843,127	843,127
Sky Money Market	294,882	294,882	294,882
Repurchase Agreements	<u>358,162</u>	358,162	358,162
STAROhio		<u>1,202,931</u>	<u>1,202,931</u>
Total Investments	<u>\$3,564,062</u>	<u>\$4,766,993</u>	<u>\$4,766,993</u>

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$10,753,857	\$0
Investments:		
Federal National Mortgage Association Bond	(920,491)	920,491
Federal Home Loan Bank Bond	(1,147,400)	1,147,400
Federal Home Loan Mortgage Corporation Bond	(843,127)	843,127
Sky Money Market	(294,882)	294,882
Repurchase Agreements	(358,162)	358,162
STAROhio	<u>(1,202,931)</u>	<u>1,202,931</u>
GASB Statement No. 3	<u>\$5,986,864</u>	<u>\$4,766,993</u>

Mahoning County Career & Technical Center
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NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District 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 located in the School District. Real property tax revenue received in calendar year 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.

Public utility property tax revenue received in calendar year 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, 2001, 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 year 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, 2003, 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 School District prior to June 30.

The School District receives property taxes from Mahoning, Trumbull, Portage, and Columbiana Counties. The Mahoning County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties 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.

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
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The amount available as an advance at June 30, 2004, was \$3,394 in the General Fund.

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

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

	<u>2003 Second- Half Collections</u>		<u>2004 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$2,747,327,310	88.00%	\$2,804,888,320	88.80%
Public Utility	128,199,180	4.11	130,206,860	4.12
Tangible Personal Property	<u>246,256,919</u>	<u>7.89</u>	<u>223,245,900</u>	<u>7.08</u>
Total Assessed Value	<u>\$3,121,783,409</u>	<u>100.00%</u>	<u>\$3,158,341,080</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$2.10		\$2.10	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004, consisted of accounts (rent and tuition) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
E-Rate	\$1,563
Special Revenue Funds:	
Food Service	1,269
Adult Basic Literacy	3,819
Adult Education	<u>855</u>
Total Special Revenue Funds	<u>5,943</u>
Grand Total	<u>\$7,506</u>

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance at</u> <u>6/30/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/04</u>
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$125,000	\$0	\$0	\$125,000
Capital Assets, being depreciated				
Land Improvements	15,447	0	0	15,447
Buildings and Improvements	8,008,025	0	0	8,008,025
Furniture and Equipment	3,991,106	710,357	49,318	4,652,145
Vehicles	<u>465,244</u>	<u>31,334</u>	<u>0</u>	<u>496,578</u>
Total Capital Assets, being depreciated	<u>12,479,822</u>	<u>741,691</u>	<u>49,318</u>	<u>13,172,195</u>
Less: Accumulated Depreciation	<u>(8,131,132)</u>	<u>(739,778)*</u>	<u>41,501</u>	<u>(8,829,409)</u>
Capital Assets being depreciated, Net	<u>4,348,690</u>	<u>1,913</u>	<u>7,817</u>	<u>4,342,786</u>
Governmental Activities Capital Assets, Net	<u>\$4,473,690</u>	<u>\$1,913</u>	<u>\$7,817</u>	<u>\$4,467,786</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 30,449
Vocational	446,613
Adult	24,699
Support Services:	
Pupil	26,887
Instructional Staff	27,804
Administration	9,754
Fiscal Services	6,020
Operation and Maintenance of Plant	37,134
Pupil Transportation	6,391
Central	693
Food Service Operations	6,839
Site Acquisition Services	243
Site Improvement	2,212
Building Improvement Services	<u>114,040</u>
Total Depreciation Expense	<u>\$739,778</u>

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District 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 School District contracted for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage</u>
Coverage provided by Indiana Insurance:	
Property/Boiler and Machinery (\$1,000 deductible)	\$32,403,255
Inland Marine (\$1,000 deductible)	2,144,275
Fleet Insurance, single limit (\$100 deductible – comprehensive) (\$250 deductible – collision)	1,000,000
Coverage provided by Travelers:	
Aircraft (\$1,500 deductible)	\$270,000
Crime (\$1,000 deductible)	25,000
Coverage provided by The Ohio School Plan:	
General Liability	
In aggregate	\$3,000,000
Per Occurrence	1,000,000

B. Workers' Compensation

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

C. Employee Medical Benefits

The School District has contracted with the Mahoning County Insurance Consortium to provide employee medical/surgical benefits since 1982. The Mahoning County Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays medical/surgical premiums of \$998.89 for family coverage and \$407.40 for single coverage per classified employee per month and \$849.06 for family coverage and \$346.29 for single coverage per certified employee per month.

Dental and prescription drug insurance are also provided through the Mahoning County Insurance Consortium. Premiums for dental coverage are \$45.33 monthly on a composite basis. Monthly premiums for prescription drug insurance are \$246.74 for family coverage and \$108.26 for single coverage. The plan utilizes a \$4 minimum and \$8 maximum deductible for classified staff and a \$5 minimum and \$10 maximum for certified staff.

The School District has elected to provide vision benefits through a self-insurance program. The School District maintains an insurance reserve internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator, Professional Risk Management, located in Youngstown, Ohio, reviews and pays all claims. The School District pays into the insurance reserve internal service fund \$27.48 for family and single coverage per employee per month.

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

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

Mahoning County Career & Technical Center
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Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$101,884, \$90,507 and \$57,823, respectively; 97.29 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003 and 2002 were \$519,680, \$497,610 and \$352,834, respectively; 90.4 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$415 made by the School District and \$4,822 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose social security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, three of the board of education members have elected social security. The board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. 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 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$44,221 for fiscal year 2004.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
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For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All Members retiring on or after August 1, 1989, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 100 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established as \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$64,033.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 60,000 participants currently receiving health care benefits.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to two hundred fifty days for classified employees and two hundred fifty five days for certified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of sixty five days for certified employees and fifty days for classified employees. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is \$30,000 per classified employee and \$50,000 per certified and administrative employee. Life insurance is provided through the Educators Mutual Insurance Company.

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
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C. Retirement Incentive

In addition to severance benefits and STRS pension benefits, a maximum of three certified employees who complete thirty years of service and retire will be offered a one-time retirement incentive of \$5,000. The certified employee must notify the Board of his/her intention to retire by February 15, 2004, January 1, 2005, and January 1, 2006, and the employee shall retire before July 1 of the same year. Payment of the benefit will be in a lump sum in July following retirement.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. Area Cooperative Computerized Educational Service System/ACCESS Council

The Area Cooperative Computerized Educational Service System/ACCESS Council (ACCESS), is a consortium of twenty-six school districts in Mahoning and Columbiana Counties. The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts.

ACCESS is governed by the ACCESS Council, a regional council of governments organized under Ohio law, pursuant to a written agreement entered into by the ACCESS Council's members and bylaws adopted by representatives of the members. The ACCESS Council is governed by an elected Board consisting of the superintendents of the educational service centers of each county and two superintendents and a school district treasurer elected by an assembly of representatives of the members voting in caucus by county.

All of ACCESS and the ACCESS Council's revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Council based upon a per pupil charge. The School District paid \$13,388 to ACCESS during fiscal year 2004. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Room 105, Youngstown, Ohio, 44512.

B. MAC Tech Prep Consortium

The MAC Tech Prep Consortium is a cooperative effort between the School District, Youngstown State University and Youngstown City School District to support programs in business, engineering and health technology through business, industry, labor and educational personnel. All of the consortium revenues are from a state grant. The consortium is governed by an executive committee consisting of the superintendents of the school districts, the President of Youngstown State University and a representative from business or industry. The committee exercises total control over the operation of the Consortium, including budgeting, appropriating, contracting and designating management.

The School District does not retain an ongoing financial interest or an ongoing financial responsibility in either of these organizations.

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
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NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year ended June 30, 2004, were as follows:

	Principal Outstanding <u>6/30/03</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/04</u>	Amounts Due In <u>One Year</u>
Early Retirement Incentive	\$50,311	\$0	\$50,311	\$0	\$0
Intergovernmental Payable	25,192	14,310	5,786	33,716	14,310
Compensated Absences	<u>807,625</u>	<u>60,238</u>	<u>0</u>	<u>867,863</u>	<u>236,636</u>
Total General Long-Term Obligations	<u>\$883,128</u>	<u>\$74,548</u>	<u>\$56,097</u>	<u>\$901,579</u>	<u>\$250,946</u>

Compensated absences, early retirement incentives, and intergovernmental payables will be paid from the fund from which the person is paid.

NOTE 16 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2004, consist of the following individual fund receivables and payables:

<u>Fund:</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	<u>\$3,819</u>	<u>\$ 0</u>
Special Revenue Funds:		
Adult Basic Literacy	<u>0</u>	<u>3,819</u>
Total Special Revenue Funds	<u>0</u>	<u>3,819</u>
Total	<u>\$3,819</u>	<u>\$3,819</u>

NOTE 17 - CONTINGENCIES

A. Grants:

The School District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

B. Litigation:

The School District is not currently party to any legal proceedings.

NOTE 18 - PUBLIC ENTITY RISK POOLS

A. Insurance Purchasing Pool

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

B. Ohio School Plan

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

C. Shared Risk Pool

The Mahoning County Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

Mahoning County Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 19 – SET-ASIDE CALCULATION

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

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

	<u>Textbook/ Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside balance as of June 30, 2003	(\$2,036,266)	\$0
Current year set-aside requirement	86,718	86,718
Qualifying disbursements	<u>(1,226,541)</u>	<u>(783,447)</u>
Total	<u>(\$3,176,089)</u>	<u>(\$696,729)</u>
Balance carried forward to FY 2005	<u>(\$3,176,089)</u>	<u>\$0</u>
Cash Balance at June 30, 2004	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the amount to below zero for the textbook instructional material set-aside. This extra amount may be used to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduces the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. The negative balance is, therefore, not presented as being carried forward to future years.

NOTE 20 – SCHOOL FUNDING COURT 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 School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Mahoning County Career & Technical Center
7300 North Palmyra Road
Canfield, OH 44406

We have audited the financial statements of the Mahoning County Career & Technical Center (the Center), as of and for the year ended June 30, 2004, and have issued our report thereon dated November 17, 2004. As discussed in Note 3, during the fiscal year ended June 30, 2004, the Center adopted Governmental Accounting Standards Board Statements No. 34, No. 37, No. 38, No. 41 and Interpretation No. 6. 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 basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to management of the Center in a separate letter dated November 17, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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 basic 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 operations that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

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

A handwritten signature in black ink, appearing to read 'G. B. Fink', with a stylized flourish at the end.

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

November 17, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH *OMB CIRCULAR A-133***

Board of Education
Mahoning County Career & Technical Center
7300 North Palmyra Road
Canfield, OH 44406

Compliance

We have audited the compliance of the Mahoning County Career & Technical Center (the Center) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The Center's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

In our opinion, the Mahoning County Career & Technical Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.


REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133* (continued)

Internal Control Over Compliance

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

November 17, 2004

**Mahoning County Career and Technical Center
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass through Entity Identifying Number	Receipts	Disbursements
<u>U. S. Department of Agriculture</u>				
<i>Passed through Department of Education</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	051243-LLP4-2004	\$45,497	\$45,497
National School Lunch Program	10.555	051243-LLP4-2003	8,567	8,567
Total National School Lunch Program			54,064	54,064
Food Distribution	10.550	---	8,272	7,797
Total U. S. Dept of Agriculture-Child Nutrition Cluster			62,336	61,861
<u>U. S. Department of Education</u>				
Student Financial Assistance Programs Cluster:				
Federal Pell Grant	84.063	---	52,153	52,153
<i>Passed Through Ohio Department of Education:</i>				
Safe and Drug Free Schools Grant	84.186	051243-DRS1-2004	1,279	1,279
Innovative Education Program Strategies (ESEA Title VI)	84.298	051243-C2S1-2004	3,219	3,219
Improving Teacher Quality Grant	84.367	051243-TRS1-2004	3,179	3,179
Adult Education -State Program	84.002	051243-ABS1-2003	(8,693)	0
Adult Education -State Program	84.002	051243-ABS1-2003-C	48,083	47,769
Adult Education -State Program	84.002	051243-ABS1-2004	64,832	64,832
Total Adult Education -State Program			104,222	112,601
Vocational Education-Basic Grants to States	84.048	051243-20C1-2003	66,167	66,167
Vocational Education-Basic Grants to States	84.048	051243-20C1-2004	431,900	431,900
Vocational Education-Basic Grants to States	84.048	051243-20C2-2003	14,918	14,918
Vocational Education-Basic Grants to States	84.048	051243-20C2-2004	85,476	85,476
Total Vocational Education Basic Grants to States			598,461	598,461
Total U. S. Department of Education			762,513	770,892
Total Federal Assistance			\$824,849	\$832,753

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

MAHONING COUNTY CAREER & TECHNICAL CENTER

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Center's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and disbursed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the Center had no significant food commodities in inventory.

NOTE C – FEDERAL PELL GRANT

The Pell Grant is recorded as tuition.

MAHONING COUNTY CAREER & TECHNICAL CENTER

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §505**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of auditor's report issued on the basic financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the basic financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the basic financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the basic financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

MAHONING COUNTY CAREER & TECHNICAL CENTER

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)**

(d)(1)(vii)	Major Program:	Vocational Education – Basic Grants to State, CFDA #84.048
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



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Betty Montgomery**

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MAHONING COUNTY CAREER AND TECHNICAL CENTER

MAHONING 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 10, 2005**