

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2013***

TRACY ELLIOTT, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Knox County Career Center, Knox County, prepared by Julian & Grube, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 16, 2014

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Knox County Career Center, Knox County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Knox County Career Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Knox County Career Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Knox County Career Center's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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 Knox County Career Center, Knox County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Adult Education funds thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the Knox County Career Center's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of the Knox County Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Knox County Career Center's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 19, 2013

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

It is a privilege to present to you the financial picture of the Knox County Career Center. This discussion and analysis of the Center's financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for the 2013 fiscal year are as follows:

The Center was able to make many equipment purchases during fiscal year 2013 that will enhance the educational opportunities of students. A Bobcat compact excavator was purchased for the Building Trades program. New welders were purchased to upgrade the learning opportunities in the Metal Fabrication program. Technology was also improved by purchasing iPads for all the instructional staff. iPads were also purchased that are housed in the library for student use. Laptops and laptop carts were purchased for various academic classes and career technical programs including the English and Science departments and the Sports Medicine, Diversified Health Occupations, Early Childhood Education, and Business and Finance programs. Many enhancements were made throughout the Center to increase the internet speed with wireless and infrastructure upgrades. The Center purchased an additional 72-passenger school bus that will be used for student field trips and competitions. Renovations took place in the high school building. Office space was added for the instructor of the Auto Technology Program. The library and the special needs department were given major improvements that will provide significant benefits to the students.

A culinary program was added to the Adult Education list of full-time courses. This program increases the diversity of courses offered to give the community an additional opportunity for trade skills.

Using this Financial Report

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

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

Reporting the Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all non-fiduciary assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

These two statements report the Center's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the Center as a whole, the *financial position* of the Center has improved or diminished. The causes of this change may be the result of many factors. Non-financial factors include the Center's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, the Center's performance, required educational programs, demographic and socioeconomic factors, the willingness of the community to support the Center and other factors. On the other hand, financial factors may include the Center's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

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

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

Reporting the Center's Most Significant Funds

Fund Financial Statements

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

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

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

The Center as a Whole

You may recall that the Statement of Net Position provides the perspective of the Center as a whole. Table 1 provides a comparison of the Center's net position for fiscal year 2013 compared to 2012:

Table 1
Net Position
Governmental Activities

	2013	2012	Change
Assets			
Current and Other Assets	\$14,365,467	\$15,365,622	(\$1,000,155)
Capital Assets, Net	21,551,279	21,646,484	(95,205)
<i>Total Assets</i>	<u>35,916,746</u>	<u>37,012,106</u>	<u>(1,095,360)</u>
Liabilities			
Current Liabilities	847,869	899,902	52,033
Long-Term Liabilities:			
Due Within One Year	363,480	319,211	(44,269)
Due in More Than One Year	4,136,096	4,321,728	185,632
<i>Total Liabilities</i>	<u>5,347,445</u>	<u>5,540,841</u>	<u>193,396</u>
Deferred Inflows of Resources	<u>1,845,808</u>	<u>1,843,427</u>	<u>(2,381)</u>
Net Position			
Net Investment in Capital Assets	17,753,461	17,614,237	139,224
Restricted	1,018,745	1,080,230	(61,485)
Unrestricted	9,951,287	10,933,371	(982,084)
<i>Total Net Position</i>	<u>\$28,723,493</u>	<u>\$29,627,838</u>	<u>(\$904,345)</u>

Total assets of governmental activities decreased. The majority of this decrease is due to a decrease in cash, as balances were spent down during the fiscal year. Capital assets decreased due to annual depreciation outpacing capital asset additions in fiscal year 2013.

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

By comparing assets and liabilities, one can see the overall position of the Center has declined as evidenced by the decrease in net position of \$904,345.

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Table 2 shows the changes in net position for fiscal year 2013 and 2012:

Table 2
Changes in Net Position
Governmental Activities

	2013	2012	Change
Revenues			
Program Revenues:			
Charges for Services	\$1,993,458	\$2,233,444	(\$239,986)
Operating Grants and Contributions	825,324	700,157	125,167
Total Program Revenues	2,818,782	2,933,601	(114,819)
General Revenues:			
Property Taxes	3,276,464	3,170,138	106,326
Intergovernmental	5,646,938	5,826,418	(179,480)
Investment Earnings	21,396	93,108	(71,712)
Payments in Lieu of Taxes	54,907	75,053	(20,146)
Miscellaneous	33,932	26,468	7,464
Total General Revenues	9,033,637	9,191,185	(157,548)
Total Revenues	11,852,419	12,124,786	(272,367)
Program Expenses			
Instruction:			
Regular	213,916	175,398	(38,518)
Special	468,866	0	(468,866)
Vocational	5,127,087	5,516,901	389,814
Adult/Continuing	1,637,161	1,511,670	(125,491)
Support Services:			
Pupil	669,011	641,015	(27,996)
Instructional Staff	897,616	786,072	(111,544)
Board of Education	14,278	17,885	3,607
Administration	1,071,046	1,135,223	64,177
Fiscal	473,534	471,954	(1,580)
Business	52,660	51,499	(1,161)
Operation and Maintenance of Plant	1,538,216	1,473,485	(64,731)
Central	124,777	121,799	(2,978)
Operation of Non-Instructional Services	231,814	253,160	21,346
Extracurricular Activities	42,310	19,997	(22,313)
Interest and Fiscal Charges	194,472	205,621	11,149
Total Program Expenses	12,756,764	12,381,679	(375,085)
<i>Excess of Revenues Under Expenses</i>	(904,345)	(256,893)	(647,452)
Special Item - OSFC Reimbursement	0	(896,751)	896,751
<i>Decrease in Net Position</i>	(904,345)	(1,153,644)	249,299
<i>Net Position Beginning of Year</i>	29,627,838	30,781,482	(1,153,644)
<i>Net Position End of Year</i>	\$28,723,493	\$29,627,838	(\$904,345)

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Governmental Activities

Net position of the Center's governmental activities decreased by \$904,345 in fiscal year 2013. Program revenues of \$2,818,782 and general revenues of \$9,033,637 partially offset total governmental expenses of \$12,756,764. Program revenues supported 22.1 percent of the total governmental expenses.

The primary sources of revenue for the Center are derived from property taxes and State foundation payments. Property tax revenue increased slightly from fiscal year 2012. Investment earnings are also significantly lower due to low interest rates and less money to invest. There was a decrease in intergovernmental revenue due to the phase out of personal property tax reimbursements from the State.

A State law, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property. Increases in valuation prompt corresponding annual reductions in the "effective millage," the tax rates applied to real property. The Center operates on voted millage of 6.4 mills. The reduced or effective millage in fiscal year 2013 was 2.390 mills for Residential/Agricultural property and 4.234 mills for other property. The following table illustrates the rate of growth in property values in the past ten years which has positively impacted the Center:

<u>Year</u> <u>Ending</u>	<u>Total</u> <u>Valuation</u>	<u>Growth</u> <u>Rate</u>
2013	\$1,310,402,930	0.78%
2012	1,300,229,030	-0.78%
2011	1,310,409,120	0.31%
2010	1,306,378,350	0.86%
2009	1,295,216,970	4.39%
2008	1,240,746,314	-0.37%
2007	1,245,383,245	0.44%
2006	1,239,905,663	9.94%
2005	1,127,776,599	2.01%
2004	1,105,520,322	1.80%

The average rate of growth over the last 10 years is 1.94 percent.

In recent years, support from the State in terms of foundation increases, the implementation of weighted funding for special education students and career-tech students, and ADM funding for career technical students had combined to increase the financial condition of the Center. State support for educational programs has averaged an increase of 7 percent over the fiscal years 2007, 2008, and 2009. This increase was largely due to increased enrollment at the Center. However, as the State of Ohio faces a difficult economic time, the Center has been capped at a .75 percent increase for fiscal year 2010 and 2011. The State's current biennium budget that funded fiscal years 2012 and 2013 allowed for no increase in State funding. The biennium budget that will fund fiscal years 2014 and 2015 includes a funding formula for the career centers. The projections for the Center are for the new funding model to allow the Center to be on a guaranteed funding level based upon fiscal year 2013. Enrollment for the Center is currently below the enrollment in fiscal year 2009. The Center is making every effort to increase enrollment in order to be removed from guaranteed funding and onto the actual formula.

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Program revenues covered 22.1 percent of program expenses overall. The remaining 77.9 percent is supported through tax revenues and other general revenues. In fiscal year 2013, however, revenues totaled 92.9 percent of expenses resulting in a decrease in net position of \$904,345. This was largely due to increases in expenses coupled with a decrease in total revenues.

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

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Governmental Activities:				
Instruction:				
Regular	\$213,916	\$109,916	\$175,398	\$71,398
Special	468,866	468,866	0	0
Vocational	5,127,087	4,656,032	5,516,901	5,149,908
Adult/Continuing	1,637,161	(303,092)	1,511,670	(611,854)
Support Services:				
Pupil	669,011	669,011	641,015	641,015
Instructional Staff	897,616	792,288	786,072	658,362
Board of Education	14,278	14,278	17,885	17,885
Administration	1,071,046	1,071,046	1,135,223	1,135,223
Fiscal	473,534	473,534	471,954	471,954
Business	52,660	52,660	51,499	51,499
Operation and Maintenance of Plant	1,538,216	1,533,781	1,473,485	1,473,485
Central	124,777	124,777	121,799	121,799
Operation of Non-Instructional Services	231,814	38,103	253,160	41,786
Extracurricular Activities	42,310	42,310	19,997	19,997
Interest and Fiscal Charges	194,472	194,472	205,621	205,621
Total	\$12,756,764	\$9,937,982	\$12,381,679	\$9,448,078

As one can see, the reliance upon local tax revenues for the governmental activities is crucial. 25.7 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 44.3 percent while program revenues, investments, and other miscellaneous type revenues support the remaining activity costs.

The Center's Funds

The Center's governmental funds (as presented on the balance sheet on page 14) reported total fund balances of \$11,480,608, a decrease of \$918,577 from fiscal year 2012.

General Fund

The general fund balance decreased by \$657,684 in fiscal year 2013, primarily due to the decrease in intergovernmental revenue and the increased instructional costs.

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Budgeting Highlights

The Center's appropriations are prepared according to Ohio law and are based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. In fiscal year 2013 all funds were appropriated at the fund level.

In fiscal year 2013, the Center adopted its appropriations prior to October 1, 2012 and amended those appropriations several times prior to fiscal year end. For the general fund, final amended estimated revenues and other financing sources were \$9,267,657, a decrease from original estimated revenues of \$9,380,306.

General fund original appropriations of \$10,777,277 were increased to \$10,777,283 in the final appropriation measure. Actual expenditures were well below the estimates, as a conservative approach to budgeting is used.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the Center had \$21,551,279 invested in land, construction in progress, buildings and improvements, furniture, fixtures and equipment and vehicles, net of accumulated depreciation. The following table shows fiscal 2013 balances compared to 2012.

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

	Governmental Activities	
	2013	2012
Land	\$321,280	\$321,280
Construction in Progress	21,169	0
Buildings and Improvements	19,444,889	19,674,260
Furniture, Fixtures and Equipment	1,574,130	1,517,363
Vehicles	189,811	133,581
Total Capital Assets	\$21,551,279	\$21,646,484

Capital Assets net of depreciation decreased. The decrease was due to annual depreciation far exceeding the purchases of equipment, vehicles, and building improvements made during fiscal year 2013.

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

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Debt

At June 30, 2013, the Center had the following in bonds, loans and capital leases outstanding with \$243,818 due in one year. Table 5 summarizes bonds outstanding for fiscal year 2013 compared to fiscal year 2012.

Table 5
Outstanding Debt, Governmental Activities at Year End

<u>Purpose</u>	<u>2013</u>	<u>2012</u>
Energy Conservation Bonds	\$28,818	\$56,298
Capital Leases	0	1,949
School Facilities Loan	3,769,000	3,974,000

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

Challenges and Opportunities

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

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

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

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

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Due to sound fiscal management, the Center has not asked the voters for additional tax millage since 1994. The Center has not received significant increases in State funding for the past few years. This is due to the State financial instability and the Center's decreased enrollment. Since the Center is currently in deficit spending, additional avenues for resources will be researched as well as continued scrutinizing of expenses. Early in fiscal year 2014, the Center issued Certificates of Participation in order to construct an additional building that will house the Sports Medicine program and the Air Force Junior Reserved Officers Training program. The space that will be vacated by these two programs will allow the Center to explore additional programming needs and generate increased enrollment. Increased enrollment will result in additional revenue through State funding.

Contacting the Center's Financial Management Personnel

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

Knox County Career Center

Statement of Net Position

June 30, 2013

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$11,050,960
Accounts Receivable	14,359
Intergovernmental Receivable	23,902
Accrued Interest Receivable	2,101
Inventory Held for Resale	4,320
Materials and Supplies Inventory	33,179
Revenue in Lieu of Taxes Receivable	22,369
Property Taxes Receivable	3,214,277
Nondepreciable Capital Assets	342,449
Depreciable Capital Assets, Net	21,208,830
<i>Total Assets</i>	<u>35,916,746</u>
Liabilities	
Accounts Payable	28,074
Accrued Wages and Benefits Payable	672,947
Intergovernmental Payable	144,286
Accrued Interest Payable	702
Claims Payable	1,860
Long-Term Liabilities:	
Due Within One Year	363,480
Due In More Than One Year	4,136,096
<i>Total Liabilities</i>	<u>5,347,445</u>
Deferred Inflows of Resources	
Property Taxes	1,834,808
Payments in Lieu of Taxes	11,000
<i>Total Deferred Inflows of Resources</i>	<u>1,845,808</u>
Net Position	
Net Investment in Capital Assets	17,753,461
Restricted for Other Purposes	1,018,745
Unrestricted	9,951,287
<i>Total Net Position</i>	<u><u>\$28,723,493</u></u>

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$213,916	\$0	\$104,000	(\$109,916)
Special	468,866	0	0	(468,866)
Vocational	5,127,087	156,323	314,732	(4,656,032)
Adult/Continuing	1,637,161	1,735,819	204,434	303,092
Support Services:				
Pupil	669,011	0	0	(669,011)
Instructional Staff	897,616	22,538	82,790	(792,288)
Board of Education	14,278	0	0	(14,278)
Administration	1,071,046	0	0	(1,071,046)
Fiscal	473,534	0	0	(473,534)
Business	52,660	0	0	(52,660)
Operation and Maintenance of Plant	1,538,216	0	4,435	(1,533,781)
Central	124,777	0	0	(124,777)
Operation of Non-Instructional Services	231,814	78,778	114,933	(38,103)
Extracurricular Activities	42,310	0	0	(42,310)
Interest and Fiscal Charges	194,472	0	0	(194,472)
<i>Total Governmental Activities</i>	<u>\$12,756,764</u>	<u>\$1,993,458</u>	<u>\$825,324</u>	<u>(9,937,982)</u>
General Revenues				
Property Taxes Levied for				
General Purposes				3,082,373
Classroom Facilities Maintenance				194,091
Grants and Entitlements not Restricted				
to Specific Programs				5,646,938
Investment Earnings				21,396
Payments in Lieu of Taxes				54,907
Miscellaneous				33,932
<i>Total General Revenues</i>				<u>9,033,637</u>
Change in Net Position				(904,345)
<i>Net Position Beginning of Year</i>				<u>29,627,838</u>
<i>Net Position End of Year</i>				<u><u>\$28,723,493</u></u>

See accompanying notes to the basic financial statements

Knox County Career Center

Balance Sheet

Governmental Funds

June 30, 2013

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$9,951,371	\$21,757	\$1,048,119	\$11,021,247
Accounts Receivable	10,167	4,175	17	14,359
Interfund Receivable	250,000	0	0	250,000
Intergovernmental Receivable	18,235	3,196	2,471	23,902
Accrued Interest Receivable	2,101	0	0	2,101
Inventory Held for Resale	0	0	4,320	4,320
Materials and Supplies Inventory	28,699	4,480	0	33,179
Revenue in Lieu of Taxes Receivable	22,369	0	0	22,369
Property Taxes Receivable	3,214,277	0	0	3,214,277
<i>Total Assets</i>	<u>\$13,497,219</u>	<u>\$33,608</u>	<u>\$1,054,927</u>	<u>\$14,585,754</u>
Liabilities				
Accounts Payable	\$19,477	\$3,952	\$4,645	\$28,074
Accrued Wages and Benefits Payable	600,612	52,102	20,233	672,947
Intergovernmental Payable	119,863	13,433	10,990	144,286
Interfund Payable	0	235,000	15,000	250,000
<i>Total Liabilities</i>	<u>739,952</u>	<u>304,487</u>	<u>50,868</u>	<u>1,095,307</u>
Deferred Inflows of Resources				
Property Taxes	1,834,808	0	0	1,834,808
Payments in Lieu of Taxes	11,000	0	0	11,000
Unavailable Revenue	164,035	0	0	164,035
<i>Total Deferred Inflows of Resources</i>	<u>2,009,843</u>	<u>0</u>	<u>0</u>	<u>2,009,843</u>
Fund Balances				
Nonspendable	28,699	4,480	0	33,179
Restricted	0	0	1,018,745	1,018,745
Committed	0	0	2,477	2,477
Assigned	1,982,770	0	0	1,982,770
Unassigned (Deficit)	8,735,955	(275,359)	(17,163)	8,443,433
<i>Total Fund Balances (Deficit)</i>	<u>10,747,424</u>	<u>(270,879)</u>	<u>1,004,059</u>	<u>11,480,604</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$13,497,219</u>	<u>\$33,608</u>	<u>\$1,054,927</u>	<u>\$14,585,754</u>

See accompanying notes to the basic financial statements

Knox County Career Center
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2013

Total Governmental Funds Balances	\$11,480,604
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,551,279
Other long-term assets, such as property taxes, are not available to pay for current-period expenditures and therefore are deferred in the funds.	164,035
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 position.	27,853
In the statement of activities interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(702)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(701,758)
Energy Conservation Bonds	(28,818)
School Facilities Loan	<u>(3,769,000)</u>
Total	<u>(4,499,576)</u>
 <i>Net Position of Governmental Activities</i>	 <u><u>\$28,723,493</u></u>

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$3,114,022	\$0	\$194,091	\$3,308,113
Intergovernmental	5,646,938	176,434	627,507	6,450,879
Interest	21,386	0	10	21,396
Tuition and Fees	42,103	1,731,444	22,555	1,796,102
Rentals	7,650	4,375	0	12,025
Gifts and Donations	925	3,000	17,458	21,383
Customer Sales and Services	106,553	0	78,778	185,331
Payments in Lieu of Taxes	54,907	0	0	54,907
Miscellaneous	27,945	4,273	1,714	33,932
<i>Total Revenues</i>	<u>9,022,429</u>	<u>1,919,526</u>	<u>942,113</u>	<u>11,884,068</u>
Expenditures				
Current:				
Instruction:				
Regular	108,546	0	84,095	192,641
Special	405,597	0	0	405,597
Vocational	4,954,374	0	165,287	5,119,661
Adult/Continuing	0	1,476,962	131,633	1,608,595
Support Services:				
Pupil	526,646	47,481	48,443	622,570
Instructional Staff	644,265	139,417	94,946	878,628
Board of Education	16,872	0	0	16,872
Administration	679,455	368,517	14,039	1,062,011
Fiscal	449,606	0	0	449,606
Business	53,453	0	0	53,453
Operation and Maintenance of Plant	1,191,463	42,269	256,681	1,490,413
Central	83,000	40,969	0	123,969
Operation of Non-Instructional Services	0	0	209,783	209,783
Extracurricular Activities	42,310	0	0	42,310
Capital Outlay	96,966	0	0	96,966
Debt Service:				
Principal Retirement	232,480	1,949	0	234,429
Interest and Fiscal Charges	195,080	61	0	195,141
<i>Total Expenditures</i>	<u>9,680,113</u>	<u>2,117,625</u>	<u>1,004,907</u>	<u>12,802,645</u>
<i>Net Change in Fund Balances</i>	(657,684)	(198,099)	(62,794)	(918,577)
<i>Fund Balances (Deficit)</i>				
<i>Beginning of Year</i>	<u>11,405,108</u>	<u>(72,780)</u>	<u>1,066,853</u>	<u>12,399,181</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$10,747,424</u>	<u>(\$270,879)</u>	<u>\$1,004,059</u>	<u>\$11,480,604</u>

See accompanying notes to the basic financial statements

Knox County Career Center
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds (\$918,577)

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

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

Capital Outlay	572,835	
Current Year Depreciation	(666,073)	
Total		(93,238)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The difference is the net book value of the disposed assets. (1,967)

Revenues in the statement of activities that do not provide current financial resources, such as delinquent property taxes, are not reported as revenues in the funds. (31,649)

Repayments of energy conservation bonds, capital leases and the school facilities loan are an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. 234,429

Some expenses, such as compensated absences, reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (93,066)

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds an interest expenditure is reported when due. 669

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental fund and related internal service fund revenue is eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (946)

Change in Net Position of Governmental Activities (\$904,345)

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Total Revenues and Other Sources	\$9,380,306	\$9,267,657	\$9,077,085	(\$190,572)
Total Expenditures and Other Uses	10,777,277	10,777,283	10,287,991	489,292
<i>Net Change in Fund Balance</i>	(1,396,971)	(1,509,626)	(1,210,906)	298,720
<i>Fund Balance Beginning of Year</i>	10,641,133	10,641,133	10,641,133	0
Prior Year Encumbrances Appropriated	171,120	171,120	171,120	0
<i>Fund Balance End of Year</i>	<u>\$9,415,282</u>	<u>\$9,302,627</u>	<u>\$9,601,347</u>	<u>\$298,720</u>

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Adult Education Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Total Revenues and Other Sources	\$2,174,544	\$2,107,556	\$2,053,048	(\$54,508)
Total Expenditures and Other Uses	2,163,810	2,181,147	2,118,879	62,268
<i>Net Change in Fund Balance</i>	10,734	(73,591)	(65,831)	7,760
<i>Fund Balance Beginning of Year</i>	56,447	56,447	56,447	0
Prior Year Encumbrances Appropriated	17,232	17,232	17,232	0
<i>Fund Balance End of Year</i>	\$84,413	\$88	\$7,848	\$7,760

See accompanying notes to the basic financial statements

Knox County Career Center

Statement of Net Position

Proprietary Fund Type

June 30, 2013

	<u>Governmental Activities</u>
	<u>Internal Service</u>
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$29,713
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	<u>1,860</u>
Net Position	
Unrestricted	<u><u>\$27,853</u></u>

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2013

	Governmental Activities
	Internal Service
Operating Revenues	
Charges for Services	\$88,125
Operating Expenses	
Purchased Services	5,714
Claims	83,357
<i>Total Operating Expenses</i>	89,071
<i>Change in Net Position</i>	(946)
<i>Net Position Beginning of Year</i>	28,799
<i>Net Position End of Year</i>	\$27,853

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2013

	Governmental Activities
	Internal Service
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$88,125
Cash Payments to Suppliers for Goods and Services	(5,714)
Cash Payments for Claims	(88,273)
<i>Net Decrease in Cash and Cash Equivalents</i>	(5,862)
<i>Cash and Cash Equivalents Beginning of Year</i>	35,575
<i>Cash and Cash Equivalents End of Year</i>	\$29,713
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
<i>Operating Loss</i>	(\$946)
Adjustments:	
Decrease in Claims Payable	(4,916)
<i>Net Cash Used by Operating Activities</i>	(\$5,862)

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$15,479	\$49,388
Liabilities		
Due to Students	0	\$49,388
Net Position		
Held in Trust for Scholarships	\$15,479	

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust
	Scholarship
Additions	
Interest	\$12
Deductions	
Payments in Accordance with Trust Agreements	305
<i>Change in Net Position</i>	(293)
<i>Net Position Beginning of Year</i>	15,772
<i>Net Position End of Year</i>	\$15,479

See accompanying notes to the basic financial statements

Knox County Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 1 - Description of the Center and Reporting Entity

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

The Center is a jointly governed organization operating under a seven member board: three members are appointed by the Knox County Educational Service Center Board, three by the City of Mount Vernon School Board, and one by the Richland County Educational Service Center Board. Each Board member is elected to their home district and then appointed to the Center’s board. The Center provides educational services as authorized by state statute and/or federal guidelines. The Center employs 69 certified employees and 30 non-certified employees who provide services to 700 students and other community members.

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the Center’s accounting policies.

Knox County Career Center

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

Basis of Presentation

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

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

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

Fund Accounting

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

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

Knox County Career Center

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

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

Adult Education Fund - This fund is used to account for and report revenues and expenditures restricted for adult education classes. Revenues consist primarily of tuition and fees as well as grants received.

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

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

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

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

Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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.

Knox County Career Center

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

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

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

Basis of Accounting

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources includes unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected during the available period. For the Center, unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Knox County Career Center

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

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

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

Budgetary Process

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

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

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

Cash and Investments

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

During fiscal year 2013, investments were limited to federal national mortgage association bonds, nonnegotiable certificates of deposit and STAROhio.

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

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share, which is the price the investment could be sold for on June 30, 2013.

Knox County Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

By Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$21,386, which includes \$2,139 assigned from other Center funds.

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

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which the services are consumed.

Capital Assets

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

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

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

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

Interfund Balances

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

Knox County Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Compensated Absences

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for safe and drug free schools.

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

Fund Balance

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

Knox County Career Center

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level of formal action (resolution) of the Center Board of Education. Those committed amounts cannot be used for any other purpose unless the Center Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. These amounts are assigned by the Center Board of Education. In the general fund, assigned amounts represent intended uses established by the Center Board of Education or by State Statute. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Internal Activities

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

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

Knox County Career Center

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

Estimates

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

Note 3 – Change in Accounting Principles

For fiscal year 2013, the Center has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, Statement No. 61, “The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and No. 34”, Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 65, “Items Previously Reported as Assets and Liabilities”, and Statement No. 66, “Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the Center’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. The implementation of this statement did not result in any change in the Center’s financial statements.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Center’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Center’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the Center’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

Knox County Career Center

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the Center's financial statements.

Note 4 – Compliance

Fund balances at June 30, 2013, included the following individual fund deficits:

Special Revenue Funds:

Preschool Grant	\$68
Carl D. Perkins Grant	189
Adult Education	270,879
Adult Basic Literacy Education Grant	56
Food Service Fund	16,850

The special revenue deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the Center is reporting its financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund and major special revenue funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

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

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

Knox County Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Net Change in Fund Balance

	General	Adult Education
GAAP Basis	(\$657,684)	(\$198,099)
Net Adjustment for Revenue Accruals	59,886	(1,478)
Advances In	9,000	135,000
Beginning Fair Value Adjustment for Investments	2,870	0
Ending Fair Value Adjustment for Investments	(17,100)	0
Net Adjustment for Expenditure Accruals	(159,728)	12,666
Advances Out	(157,000)	0
Encumbrances	(291,150)	(13,920)
Budget Basis	<u>(\$1,210,906)</u>	<u>(\$65,831)</u>

Note 6 – Fund Balances

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

Fund Balances	General	Adult Education	Nonmajor Government al Funds	Total
Nonspendable				
Inventory	\$28,699	\$4,480	\$0	\$33,179
Restricted for				
Building Maintenance	0	0	969,118	969,118
Other Purposes	0	0	49,627	49,627
Total Restricted	<u>0</u>	<u>0</u>	<u>1,018,745</u>	<u>1,018,745</u>
Committed to				
Other Purposes	<u>0</u>	<u>0</u>	<u>2,477</u>	<u>2,477</u>
Assigned to				
Subsequent Year				
Appropriations	1,633,406	0	0	1,633,406
Other Purposes	349,364	0	0	349,364
Total Assigned	<u>1,982,770</u>	<u>0</u>	<u>0</u>	<u>1,982,770</u>
Unassigned (Deficit)	<u>8,735,955</u>	<u>(275,359)</u>	<u>(17,163)</u>	<u>8,443,433</u>
Total Fund Balances	<u>\$10,747,424</u>	<u>(\$270,879)</u>	<u>\$1,004,059</u>	<u>\$11,480,604</u>

Knox County Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 7 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1);
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirement have been met; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Knox County Career Center

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

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. Investments may only be made through specified dealers and institutions.

At year end, the Center has \$900 in undeposited cash on hand with is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$5,548,941 of the Center’s bank balance of \$9,392,109 was exposed to custodial credit risk because if was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent. Although the securities serving as collateral were held by the pledging institution in the pledging institution’s name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

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

Investments

As of June 30, 2013, the Center had the following investments. All investments are in an internal investment pool.

	Carrying and Fair Value	Investment Maturities (in Years)	
		Less than 1	3-5
STAR Ohio	\$1,003,059	\$1,003,059	\$0
Federal National Mortgage Association Bonds	982,900	0	982,900
Total Investments	<u>\$1,985,959</u>	<u>\$1,003,059</u>	<u>\$982,900</u>

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

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

Knox County Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Concentration of Credit Risk The Center places no limit on the amount it may invest in any one issuer. The following is the Center’s allocation as of June 30, 2013:

	<u>Percent of Investments</u>
STAROhio	51%
Federal National Mortgage Association Bonds	49

Note 8 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the Center. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in calendar year 2013 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The Center receives property taxes from Coshocton, Delaware, Holmes, Knox, Licking, Morrow and Richland Counties. The County Auditors periodically advance to the Center its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013, are available to finance fiscal year 2013 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, 2013 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 inflows of resources – property taxes.

The amount available as an advance at June 30, 2013, was \$1,215,434 in the general fund. The amount available as an advance at June 30, 2012, was \$1,156,260 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 reported as deferred inflows of resources – unavailable revenue.

Knox County Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,246,958,210	95.90 %	\$1,253,568,050	95.66 %
Public Utility Personal	53,270,820	4.10	56,834,880	4.34
Total	\$1,300,229,030	100.00 %	\$1,310,402,930	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$6.40		 \$6.40	

Note 9 - Receivables

Receivables at June 30, 2013, consisted of taxes, accounts (customer services, student fees and insurance premiums), payments in lieu of taxes, accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables except delinquent property taxes are expected to be collected within one year. Intergovernmental receivables consist of \$18,235 in the General fund, \$3,196 in the Adult Education Fund and \$2,471 in the Other Governmental Funds.

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

Knox County Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/12	Additions	Reductions	Balance 6/30/13
Governmental Activities:				
Capital assets not being depreciated				
Land	\$321,280	\$0	\$0	\$321,280
Construction in progress	0	21,169	0	21,169
Total capital assets not being depreciated	<u>321,280</u>	<u>21,169</u>	<u>0</u>	<u>342,449</u>
Capital assets being depreciated				
Buildings and improvements	22,634,548	94,389	(5,290)	22,723,647
Furniture, fixtures and equipment	3,970,914	379,077	(185,373)	4,164,618
Vehicles	228,792	78,200	0	306,992
Total capital assets being depreciated	<u>26,834,254</u>	<u>551,666</u>	<u>(190,663)</u>	<u>27,195,257</u>
Total capital assets	<u>27,155,534</u>	<u>572,835</u>	<u>(190,663)</u>	<u>27,537,706</u>
Accumulated depreciation				
Buildings and improvements	(2,960,288)	(323,760)	5,290	(3,278,758)
Furniture, fixtures and equipment	(2,453,551)	(320,343)	183,406	(2,590,488)
Vehicles	(95,211)	(21,970)	0	(117,181)
Total accumulated depreciation	<u>(5,509,050)</u>	<u>(666,073)</u>	<u>188,696</u>	<u>(5,986,427)</u>
Capital assets being depreciated, net	<u>21,325,204</u>	<u>(114,407)</u>	<u>(1,967)</u>	<u>21,208,830</u>
Governmental activities capital assets, net	<u>\$21,646,484</u>	<u>(\$93,238)</u>	<u>(\$1,967)</u>	<u>\$21,551,279</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$9,520
Vocational	397,133
Adult/Continuing	61,340
Support Services:	
Pupil	17,643
Instructional Staff	42,289
Board of Education	196
Administration	29,177
Fiscal	15,700
Operation and Maintenance of Plant	70,989
Business	55
Operation of Non-Instructional Services	22,031
Total Depreciation Expense	<u>\$666,073</u>

Knox County Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 11 - Risk Management

Property and Liability

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Center maintains comprehensive insurance coverage with a private carrier for liability coverage. Real property, building contents and vehicles are through Ohio School Plan. The Center joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual participant enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Center pays its annual premium to the OSP (see Note 19). The Center has general liability coverage with \$5,000,000 per occurrence and \$7,000,000 general aggregate.

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

Workers' Compensation

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

Employee Medical Benefits

The Center offers vision and dental insurance to all eligible employees through a self-insurance fund. The Center has a third party administrator, Medical Claims Services, review and administer the claims activity. The claims liability of \$1,860 reported in the internal service fund at June 30, 2013, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claims Payments	Balance at End of Fiscal Year
2012	6,445	78,020	77,689	6,776
2013	6,776	83,357	88,273	1,860

Knox County Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 12 – Defined Benefit Pension Plans

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advices of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contributions rate is allocated to the Health Care and Medicare B funds. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$227,361, \$212,871 and \$188,692, respectively. For 2013, 96.5 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

Plan Description – The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

Knox County Career Center

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Center's required contributions to STRS Ohio for the DB Plan for the fiscal years ended June 30, 2013, 2012, and 2011 were \$635,365, \$686,733 and \$681,482, respectively. For 2013, 90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. Contributions made to the DC Plan for fiscal year 2013 were \$45,788 made by the Center and \$32,705 made by the plan members. For fiscal year 2013, member contributions of \$16,263 were made to the Combined Plan for the defined contribution portion of the plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 13 - Postemployment Benefits

School Employees Retirement System

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

Knox County Career Center

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2013, this amount was \$20,525. During fiscal year 2013, the Center paid \$24,995 in surcharge.

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

The Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$27,772, \$31,251, and \$44,701, respectively. For 2013, 96.5 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$12,843, \$12,571, and \$12,462, respectively. For 2013, 96.5 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The Center's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$54,179, \$52,826, and \$52,422, respectively. For 2013, 90 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2012 and 2011.

Note 14 - Other Employee Benefits

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

Knox County Career Center

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

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

Note 15 – Capital Lease

During fiscal year 2011, the Center entered into a lease agreement for equipment. The leases met the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures and changes in fund balance for the governmental funds.

Principal payments in fiscal year 2013 were \$1,949 and were paid from the adult education special revenue fund.

The carrying value of the leased equipment at June 30, 2013 was \$4,337, the initial cost of \$6,425 net of accumulated depreciation of \$2,088.

The lease obligations have been completely met. There are no outstanding payments.

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Knox County Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 16 - Long-term Obligations

The changes in the Center's long-term obligations during fiscal year 2013 were as follows:

		Outstanding 6/30/12	Additions	Reductions	Outstanding 6/30/13	Amounts Due in 1 yr
Energy Conservation Bonds	4.87%					
Issued January 15, 1999		\$56,298	\$0	\$27,480	\$28,818	\$28,818
Capital Lease		1,949	0	1,949	\$0	0
School Facilities Loan	4.84%					
Issued August 17, 2006		3,974,000	0	205,000	\$3,769,000	215,000
Compensated Absences		608,692	701,858	608,792	\$701,758	119,662
Total General Long-Term Obligations		<u>\$4,640,939</u>	<u>\$701,858</u>	<u>\$843,221</u>	<u>\$4,499,576</u>	<u>\$363,480</u>

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

The Center's overall legal debt margin was \$117,908,784 with an unvoted debt margin of \$1,310,403 at June 30, 2013. Principal and interest requirements to retire the debt outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30	Energy Conservation Bonds		School Facilities Loan		Total
	Principal	Interest	Principal	Interest	
2014	\$28,818	\$1,403	\$215,000	\$182,420	\$427,641
2015	0	0	225,000	172,014	397,014
2016	0	0	236,000	161,124	397,124
2017	0	0	247,000	149,701	396,701
2018	0	0	260,000	137,746	397,746
2019-2023	0	0	1,499,000	487,630	1,986,630
2024-2026	0	0	1,087,000	106,915	1,193,915
Total	<u>\$28,818</u>	<u>\$1,403</u>	<u>\$3,769,000</u>	<u>\$1,397,550</u>	<u>\$5,196,771</u>

Note 17 - Set-Asides

The Center is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the 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 cash at fiscal year end. These amounts must be carried forward to be used for the same purposes in future years.

Knox County Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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

	Capital Improvements
Set-aside Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	101,710
Current Year Qualifying Expenditures	(101,710)
Set-aside Balance as of June 30, 2013	\$0

Note 18- Jointly Governed Organization

Tri-Rivers Educational Computer Association (TRECA) is a jointly governed organization among 31 public school districts within the boundaries of Delaware, Marion, Morrow, Knox and Wyandot Counties. TRECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. TRECA operates under the direction of a Board consisting of two representatives from each county, elected by a majority vote of all charter member school districts within each county. Each participant’s degree of control is limited to its representation on the Board. The continued existence of TRECA is not dependent on the School District's continued participation and no equity interest exists. TRECA has no outstanding debt. To obtain financial information write to: Tri-Rivers Educational Computer Association, Mike Carder, who serves as Director, 2222 Marion-Mount Gilead Road, Marion, Ohio 43302. The Center contributed \$23,513 to TRECA during fiscal year 2013.

Note 19 - Public Entity Risk Pools

Insurance Purchasing Pool

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

Shared Risk Pool

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

Knox County Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 20 - Contingencies

Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2013.

Litigation

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

Note 21 – Interfund Transactions

Interfund Balances

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General</u>
<i>Major Governmental Funds:</i>	
Adult Education Fund	\$235,000
<i>Nonmajor Governmental Funds:</i>	
Adult Basic Literacy Education Grant Fund	1,000
Preschool Tuition Fund	4,000
Food Service Fund	9,000
Reserve Officer Training Corp Fund	<u>1,000</u>
Total	<u><u>\$250,000</u></u>

The interfund payable to the Adult Education Fund, Preschool Tuition Fund, and the Food Service Fund are for student tuition and fees that were not received by fiscal year end. The interfund payable to the Reserve Officer Training Corp Fund are due to funds received on a reimbursement method. The federal government reimburses the fund periodically during the year. The funds were available at June 30, 2013 to pay the interfund payable from the Adult Basic Literacy Education.

Interfund Transfers

There was a transfer made during the year ended June 30, 2013 from the General fund to the OSFC Maintenance fund (a nonmajor governmental fund) in the amount of \$194,091. The transfer is to meet the requirements for the Ohio School Facilities Commission to fund future maintenance costs for the addition and renovation of the Center. This transfer has been reclassified as property tax revenue in the Maintenance fund (a nonmajor governmental fund) in accordance with GASB Statement No. 54.

Knox County Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 22 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

<u>Fund</u>	<u>Fiscal Year-End Encumbrances</u>
General Fund	\$291,150
Adult Education	13,920
Other Governmental Funds	<u>143,255</u>
Total	<u><u>\$448,325</u></u>

Note 23 – Subsequent Events

In September 2013, the Center issued Certificates of Participation in the amount of \$3,355,000 in order to construct an additional building. The building will be approximately 17,000 square feet and will house the Center's sports medicine and exercise science program and the Air Force Junior Reserve Officers Training program. The building will contain a multipurpose area, exercise equipment room, locker rooms and classrooms for both programs, as well as office space for the instructors. This expansion will open space in the existing high school building to expand current program offerings for the future high school students.

SUPPLEMENTARY DATA

**KNOX COUNTY CAREER CENTER
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Child Nutrition Cluster:				
(C)(D) School Breakfast Program	10.553	2013	\$ 23,352	\$ 23,352
(D)(E) National School Lunch Program - Food Donation	10.555	2013	4,934	4,934
(C)(D) National School Lunch Program	10.555	2013	76,506	76,506
Total National School Lunch Program			81,440	81,440
Total Child Nutrition Cluster			104,792	104,792
State Administrative Expenses for Child Nutrition	10.560	2013	4,435	-
Total U.S. Department of Agriculture			109,227	104,792
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
(H) Adult Education - Basic Grants to States	84.002	2012	15,480	-
(H) Adult Education - Basic Grants to States	84.002	2013	51,824	51,824
Total Adult Education - Basic Grants to States			67,304	51,824
Student Financial Assistance Cluster:				
(F)(G) Federal Supplemental Educational Opportunity Grant	84.007	N/A	11,076	11,076
(F)(G) Federal Pell Grant Program	84.063	N/A	705,939	705,939
(F)(G) Federal Direct Student Loans	84.268	N/A	1,136,768	1,136,768
Total Student Financial Assistance Cluster			1,853,783	1,853,783
Career and Technical Education - Basic Grants to State	84.048	2013	290,135	290,135
Improving Teacher Quality State Grants	84.367	2013	3,412	3,412
ARRA Race-to-the-Top, Recovery Act - Resident Educator Program	84.395	2013	700	700
Total U.S. Department of Education			2,215,334	2,199,854
Total Federal Financial Assistance			\$ 2,324,561	\$ 2,304,646

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

- (A) OAKS did not assign pass-through numbers for fiscal year 2013.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Student Financial Assistance Cluster" when determining major programs.
- (G) Program directly funded by the U.S. Department of Education
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2013, the ODE authorized the following transfers:

Program Title	CFDA Grant	Year	Transfers Out	Transfers In
Adult Education - Basic Grants to States	84.002	2012	\$ 725	
Adult Education - Basic Grants to States	84.002	2013		\$ 725



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Serving Ohio Local Governments

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Knox County Career Center, Knox County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Knox County Career Center's basic financial statements and have issued our report thereon dated December 19, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Knox County Career Center's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Knox County Career Center's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Knox County Career Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Education
Knox County Career Center

Compliance and Other Matters

As part of reasonably assuring whether the Knox County Career Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Knox County Career Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Knox County Career Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
December 19, 2013



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**Independent Auditor's Report on Compliance With Requirements Applicable to Each Major
Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Knox County Career Center's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Knox County Career Center's major federal program for the fiscal year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Knox County Career Center's major federal program.

Management's Responsibility

The Knox County Career Center's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Knox County Career Center's compliance for each of the Knox County Career Center's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Knox County Career Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Knox County Career Center's major program. However, our audit does not provide a legal determination of the Knox County Career Center's compliance.

Opinion on the Major Federal Program

In our opinion, the Knox County Career Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2013.

Board of Education
Knox County Career Center

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 19, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2013**

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on December 19, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

Julian & Grube, Inc.
December 19, 2013



Dave Yost • Auditor of State

KNOX COUNTY CAREER CENTER

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 28, 2014**