

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2014***

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, 2013 through June 30, 2014. 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

March 27, 2015

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the 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 15, 2014, 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 15, 2014

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

It is a privilege to present to you the financial picture of the Knox County Career Center. This discussion and analysis of the Center's financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2014. 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 2014 fiscal year are as follows:

The Center was the recipient of an investment from Ariel Corporation earmarked to develop the Computer Numeric Controls (CNC) and Automotive Technologies programs. The CNC lab was remodeled and equipped with new up-to-date machines. The Auto Technology lab has also been remodeled and will soon have a diesel engine that will be used for student training. The Center was able to make many equipment purchases during fiscal year 2014 that will enhance the educational opportunities of students. A loader and front end wacker was purchased for the Building Trades program. Laptops and laptop carts were purchased for various academic classes and career technical programs including the math department and the Horticulture Pre-professional Mentorship, Digital Media, and Computer Networking programs. Many enhancements were made throughout the Career Center to increase the internet speed with wireless and infrastructure upgrades.

Renovations also took place in the high school building. Digital Media and Computer Networking areas were renovated for a fresh new look with increased educational opportunities.

The Center issued \$3,355,000 in Certificates of Participation to add a nineteen thousand square foot building to the campus. This new building will house the Air Force Junior Reserved Officer Training Corp and the Sports Medicine Program. The building will include a multipurpose room that has a full size gym floor and the Sports Medicine lab will have a workout facility that all staff members will have access to use. Debt payments for the next twenty years are approximately \$250,000 annually.

The Center also added a tenth grade offering. Skilled Trades Aptitude Readiness Training (START) was added to the programs to give students an opportunity to explore concepts relating to the CNC Manufacturing, Construction, and Metal Fabrication programs. This program will prepare students to enter one of the existing programs during their junior year of high school.

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.

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all non-fiduciary assets and deferred outflows and liabilities and deferred inflows* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's *net 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 10. 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, the adult education special revenue fund, and the building capital projects 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, 2014
Unaudited

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 2014 compared to 2013:

Table 1
Net Position
Governmental Activities

	2014	2013	Change
Assets			
Current and Other Assets	\$16,329,618	\$14,365,467	\$1,964,151
Capital Assets, Net	24,708,103	21,551,279	3,156,824
<i>Total Assets</i>	<u>41,037,721</u>	<u>35,916,746</u>	<u>5,120,975</u>
Liabilities			
Current Liabilities	2,042,324	847,869	(1,194,455)
Long-Term Liabilities:			
Due Within One Year	498,241	363,480	(134,761)
Due in More Than One Year	7,281,605	4,136,096	(3,145,509)
<i>Total Liabilities</i>	<u>9,822,170</u>	<u>5,347,445</u>	<u>(4,474,725)</u>
Deferred Inflows of Resources	<u>2,307,954</u>	<u>1,845,808</u>	<u>(462,146)</u>
Net Position			
Net Investment in Capital Assets	18,375,760	17,753,461	622,299
Restricted	1,471,210	1,018,745	452,465
Unrestricted	9,060,627	9,951,287	(890,660)
<i>Total Net Position</i>	<u>\$28,907,597</u>	<u>\$28,723,493</u>	<u>\$184,104</u>

Total assets of governmental activities increased. The majority of this increase is due to an increase in cash and capital assets, both due to two projects taking place at the Career Center. Certificates of Participation were issued to fund a new building at the Career Center and a donation funded an upgrade to the Auto Technology lab, the CNC lab and the purchase of CNC equipment. At the end of fiscal-year 2014, a portion of the debt proceeds and donation remained unspent, as the projects were on-going.

Total liabilities of governmental activities increased significantly. Current liabilities increased due to contracts payable related to the building project and accounts payable related to the purchase of CNC equipment. Long-term liabilities increased due to the certificates of participation mentioned previously.

By comparing assets and deferred outflows and liabilities and deferred inflows, one can see the overall position of the Center has improved as evidenced by the increase in net position.

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net position for fiscal year 2014 and 2013:

Table 2
Changes in Net Position
Governmental Activities

	2014	2013	Change
Revenues			
Program Revenues:			
Charges for Services	\$2,267,251	\$1,993,458	\$273,793
Operating Grants and Contributions	834,354	825,324	9,030
Capital Grants and Contributions	1,026,295	0	1,026,295
Total Program Revenues	4,127,900	2,818,782	1,309,118
General Revenues:			
Property Taxes	3,304,605	3,276,464	28,141
Intergovernmental	5,456,762	5,646,938	(190,176)
Investment Earnings	45,698	21,396	24,302
Payments in Lieu of Taxes	86,088	54,907	31,181
Miscellaneous	88,355	33,932	54,423
Total General Revenues	8,981,508	9,033,637	(52,129)
Total Revenues	13,109,408	11,852,419	1,256,989
Program Expenses			
Instruction:			
Regular	131,127	213,916	82,789
Special	420,821	468,866	48,045
Vocational	4,740,373	5,127,087	386,714
Adult/Continuing	1,584,444	1,637,161	52,717
Support Services:			
Pupil	689,698	669,011	(20,687)
Instructional Staff	1,114,219	897,616	(216,603)
Board of Education	24,306	14,278	(10,028)
Administration	1,264,528	1,071,046	(193,482)
Fiscal	467,684	473,534	5,850
Business	51,022	52,660	1,638
Operation and Maintenance of Plant	1,717,807	1,538,216	(179,591)
Central	125,390	124,777	(613)
Operation of Non-Instructional Services	261,005	231,814	(29,191)
Extracurricular Activities	35,959	42,310	6,351
Interest and Fiscal Charges	296,921	194,472	(102,449)
Total Program Expenses	12,925,304	12,756,764	(168,540)
<i>Increase (Decrease) in Net Position</i>	184,104	(904,345)	1,088,449
<i>Net Position Beginning of Year</i>	28,723,493	29,627,838	(904,345)
<i>Net Position End of Year</i>	\$28,907,597	\$28,723,493	\$184,104

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Governmental Activities

Net position of the Center's governmental activities increased by \$184,104 in fiscal year 2014. Program revenues of \$4,127,900 and general revenues of \$8,981,508 more than offset total governmental expenses of \$12,925,304. Program revenues supported 31.9 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 2013. There was an increase in capital grants due to a donation for the Auto Technology and CNC lab upgrades.

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 2014 was 2.390 mills for Residential/Agricultural property and 4.260 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>
2014	\$1,300,259,030	-0.77%
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%

The average rate of growth over the last 10 years is 1.65 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, 2014
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Program revenues covered 31.9 percent of program expenses overall. The remaining expenses are supported through tax revenues and other general revenues. In fiscal year 2014, revenues totaled 101.4 percent of expenses resulting in an increase in net position of \$184,104. This was due to increases in 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.

Table 3
Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program Expenses:				
Instruction:				
Regular	\$131,127	\$27,127	\$213,916	\$109,916
Special	420,821	420,821	468,866	468,866
Vocational	4,740,373	3,164,350	5,127,087	4,656,032
Adult/Continuing	1,584,444	(423,828)	1,637,161	(303,092)
Support Services:				
Pupil	689,698	689,698	669,011	669,011
Instructional Staff	1,114,219	865,125	897,616	792,288
Board of Education	24,306	24,306	14,278	14,278
Administration	1,264,528	1,264,528	1,071,046	1,071,046
Fiscal	467,684	467,684	473,534	473,534
Business	51,022	51,022	52,660	52,660
Operation and Maintenance of Plant	1,717,807	1,717,807	1,538,216	1,533,781
Central	125,390	125,390	124,777	124,777
Operation of Non-Instructional Services	261,005	70,494	231,814	38,103
Extracurricular Activities	35,959	35,959	42,310	42,310
Interest and Fiscal Charges	296,921	296,921	194,472	194,472
Total	\$12,925,304	\$8,797,404	\$12,756,764	\$9,937,982

As one can see, the reliance upon local tax revenues for the governmental activities is crucial. 25.6 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 42.2 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 16) reported total fund balances of \$11,426,139, a decrease of \$54,465 from fiscal year 2013.

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

General Fund

The general fund balance decreased by \$1,175,165 in fiscal year 2014, primarily due to transfers made from the general fund to support the operations of other funds, as well as increases in expenditures.

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 2014 all funds were appropriated at the fund level.

In fiscal year 2014, the Center adopted its appropriations prior to October 1, 2013 and amended those appropriations several times prior to fiscal year end. For the general fund, final amended estimated revenues and other financing sources were \$9,090,917, a decrease from original estimated revenues of \$9,293,008.

General fund original appropriations of \$11,209,519 were decreased to \$11,029,432 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 2014, the Center had \$24,708,103 invested in land, construction in progress, buildings and improvements, furniture, fixtures and equipment and vehicles, net of accumulated depreciation. The following table shows fiscal 2014 balances compared to 2013.

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

	Governmental Activities	
	2014	2013
Land	\$321,280	\$321,280
Construction in Progress	2,990,152	21,169
Buildings and Improvements	19,070,915	19,444,889
Furniture, Fixtures and Equipment	2,127,589	1,574,130
Vehicles	198,167	189,811
Total Capital Assets	\$24,708,103	\$21,551,279

Capital Assets net of depreciation increased. The increase was due to purchases of equipment, as well as the ongoing building project and upgrades to facilities.

The Center's capitalization threshold for capital assets was set at \$500. For additional information on capital assets, see Note 11 to the basic financial statements.

Knox County Career Center
Management's Discussion and Analysis
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Debt

At June 30, 2014, the Center had the following in loans and certificates of participation outstanding with \$340,000 due in one year. Table 5 summarizes debt outstanding for fiscal year 2014 compared to fiscal year 2013.

Table 5
 Outstanding Debt at Fiscal Year End
 Governmental Activities

	2014	2013
Energy Conservation Bonds	\$0	\$28,818
School Facilities Loan	3,554,000	3,796,000
School Facilities COPS	3,355,000	0
<i>Totals</i>	\$6,909,000	\$3,824,818

For additional information on long-term obligations, see Note 15 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 to provide, in cooperation with the larger community, a quality education for all students by upholding a standard of excellence in curriculum, staff, facilities, achievement and conduct, and to graduate individuals empowered to be self-motivated , life-long learners and responsible citizens. The mission will be accomplished by creating a safe learning environment that emphasizes the lifelong skills and knowledge necessary to continue learning, communicate clearly, solve problems, use information and technology effectively, enjoy productive employment, appreciate aesthetics, and meet their obligations as citizens in a democratic and global society.

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

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

Due to sound fiscal management, the Center has not asked the voters for additional tax millage since 1994. The Center has 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

Knox County Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 houses the Sports Medicine program and the Air Force Junior Reserved Officers Training Corp program. The space that was vacated by these two programs is being evaluated 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, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$12,528,573
Accounts Receivable	11,546
Intergovernmental Receivable	28,916
Accrued Interest Receivable	1,559
Inventory Held for Resale	7,522
Materials and Supplies Inventory	46,029
Revenue in Lieu of Taxes Receivable	29,881
Property Taxes Receivable	3,675,592
Nondepreciable Capital Assets	3,311,432
Depreciable Capital Assets, Net	<u>21,396,671</u>
<i>Total Assets</i>	<u>41,037,721</u>
Liabilities	
Accounts Payable	294,557
Accrued Wages and Benefits Payable	676,061
Contracts Payable	878,077
Intergovernmental Payable	137,116
Accrued Interest Payable	11,732
Matured Compensated Absences Payable	35,915
Claims Payable	8,866
Long-Term Liabilities:	
Due Within One Year	498,241
Due In More Than One Year	<u>7,281,605</u>
<i>Total Liabilities</i>	<u>9,822,170</u>
Deferred Inflows of Resources	
Property Taxes	2,294,454
Payments in Lieu of Taxes	<u>13,500</u>
<i>Total Deferred Inflows of Resources</i>	<u>2,307,954</u>
Net Position	
Net Investment in Capital Assets	18,375,760
Restricted for Capital Outlay	7,253
Restricted for Other Purposes	1,463,957
Unrestricted	<u>9,060,627</u>
<i>Total Net Position</i>	<u><u>\$28,907,597</u></u>

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				
Instruction:				
Regular	\$131,127	\$0	\$104,000	\$0
Special	420,821	0	0	0
Vocational	4,740,373	378,119	171,609	1,026,295
Adult/Continuing	1,584,444	1,792,420	215,852	0
Support Services:				
Pupil	689,698	0	0	0
Instructional Staff	1,114,219	23,722	225,372	0
Board of Education	24,306	0	0	0
Administration	1,264,528	0	0	0
Fiscal	467,684	0	0	0
Business	51,022	0	0	0
Operation and Maintenance of Plant	1,717,807	0	0	0
Central	125,390	0	0	0
Operation of Non-Instructional Services	261,005	72,990	117,521	0
Extracurricular Activities	35,959	0	0	0
Interest and Fiscal Charges	296,921	0	0	0
<i>Total Governmental Activities</i>	<u>\$12,925,304</u>	<u>\$2,267,251</u>	<u>\$834,354</u>	<u>\$1,026,295</u>

General Revenues

Property Taxes Levied for General Purposes	3,304,605
Grants and Entitlements not Restricted to Specific Programs	5,456,762
Investment Earnings	45,698
Payments in Lieu of Taxes	86,088
Miscellaneous	88,355
<i>Total General Revenues</i>	<u>8,981,508</u>
Change in Net Position	184,104
<i>Net Position Beginning of Year</i>	<u>28,723,493</u>
<i>Net Position End of Year</i>	<u><u>\$28,907,597</u></u>

See accompanying notes to the basic financial statements

Knox County Career Center

Balance Sheet

Governmental Funds

June 30, 2014

	General	Adult Education	Building	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$9,226,455	\$65,930	\$1,461,987	\$1,742,376	\$12,496,748
Accounts Receivable	11,462	0	0	84	11,546
Interfund Receivable	203,000	0	0	0	203,000
Intergovernmental Receivable	22,712	4,793	0	1,411	28,916
Accrued Interest Receivable	1,559	0	0	0	1,559
Inventory Held for Resale	0	0	0	7,522	7,522
Materials and Supplies Inventory	40,215	5,814	0	0	46,029
Revenue in Lieu of Taxes Receivable	29,881	0	0	0	29,881
Property Taxes Receivable	3,675,592	0	0	0	3,675,592
<i>Total Assets</i>	<u>\$13,210,876</u>	<u>\$76,537</u>	<u>\$1,461,987</u>	<u>\$1,751,393</u>	<u>\$16,500,793</u>
Liabilities					
Accounts Payable	\$27,887	\$5,456	\$0	\$261,214	\$294,557
Accrued Wages and Benefits Payable	610,528	44,334	0	21,199	676,061
Contracts Payable	0	0	878,077	0	878,077
Intergovernmental Payable	114,359	12,533	0	10,224	137,116
Interfund Payable	0	185,000	0	18,000	203,000
Matured Compensated Absences Payable	35,915	0	0	0	35,915
<i>Total Liabilities</i>	<u>788,689</u>	<u>247,323</u>	<u>878,077</u>	<u>310,637</u>	<u>2,224,726</u>
Deferred Inflows of Resources					
Property Taxes	2,294,454	0	0	0	2,294,454
Payments in Lieu of Taxes	13,500	0	0	0	13,500
Unavailable Revenue	541,974	0	0	0	541,974
<i>Total Deferred Inflows of Resources</i>	<u>2,849,928</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,849,928</u>
Fund Balances					
Nonspendable	40,215	5,814	0	0	46,029
Restricted	0	0	583,910	1,457,978	2,041,888
Committed	0	0	0	5,979	5,979
Assigned	1,647,416	0	0	0	1,647,416
Unassigned (Deficit)	7,884,628	(176,600)	0	(23,201)	7,684,827
<i>Total Fund Balances (Deficit)</i>	<u>9,572,259</u>	<u>(170,786)</u>	<u>583,910</u>	<u>1,440,756</u>	<u>11,426,139</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$13,210,876</u>	<u>\$76,537</u>	<u>\$1,461,987</u>	<u>\$1,751,393</u>	<u>\$16,500,793</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, 2014*

Total Governmental Funds Balances	\$11,426,139
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*Amounts reported for governmental activities in the
 statement of net position are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,708,103
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Other long-term assets, such as property taxes, are not available to pay for current-period expenditures and therefore are deferred in the funds.	541,974
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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.	22,959
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In the statement of activities interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(11,732)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	(870,846)
School Facilities Loan	(3,554,000)
School Facilities COPS	<u>(3,355,000)</u>

Total	<u>(7,779,846)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$28,907,597</u></u>
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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, 2014

	General	Adult Education	Building	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$2,732,575	\$0	\$0	\$194,091	\$2,926,666
Intergovernmental	5,451,762	190,352	0	644,524	6,286,638
Interest	44,078	0	1,607	13	45,698
Tuition and Fees	267,041	1,787,436	0	23,722	2,078,199
Rentals	5,100	4,984	0	0	10,084
Gifts and Donations	1,000	500	0	1,029,273	1,030,773
Customer Sales and Services	105,978	0	0	72,990	178,968
Payments on Lieu of Taxes	86,088	0	0	0	86,088
Miscellaneous	74,009	6,656	5,646	2,044	88,355
<i>Total Revenues</i>	<u>8,767,631</u>	<u>1,989,928</u>	<u>7,253</u>	<u>1,966,657</u>	<u>12,731,469</u>
Expenditures					
Current:					
Instruction:					
Regular	38,540	0	0	95,524	134,064
Special	452,062	0	0	0	452,062
Vocational	4,589,737	0	0	589,340	5,179,077
Adult/Continuing	0	1,463,554	0	62,571	1,526,125
Support Services:					
Pupil	472,166	45,967	0	109,836	627,969
Instructional Staff	730,443	147,351	0	156,232	1,034,026
Board of Education	23,970	0	0	0	23,970
Administration	785,360	320,512	0	17,679	1,123,551
Fiscal	451,072	0	0	0	451,072
Business	53,131	0	0	0	53,131
Operation and Maintenance of Plant	1,285,751	46,169	0	286,315	1,618,235
Central	109,916	16,282	0	0	126,198
Operation of Non-Instructional Services	0	0	0	241,523	241,523
Extracurricular Activities	35,959	0	0	0	35,959
Capital Outlay	181,980	0	2,778,343	23,940	2,984,263
Debt Service:					
Principal Retirement	243,818	0	0	0	243,818
Interest and Fiscal Charges	285,891	0	0	0	285,891
<i>Total Expenditures</i>	<u>9,739,796</u>	<u>2,039,835</u>	<u>2,778,343</u>	<u>1,582,960</u>	<u>16,140,934</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(972,165)</u>	<u>(49,907)</u>	<u>(2,771,090)</u>	<u>383,697</u>	<u>(3,409,465)</u>
Other Financing Sources (Uses)					
Certificates of Participation Issued	0	0	3,355,000	0	3,355,000
Transfers In	0	150,000	0	53,000	203,000
Transfers Out	(203,000)	0	0	0	(203,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(203,000)</u>	<u>150,000</u>	<u>3,355,000</u>	<u>53,000</u>	<u>3,355,000</u>
<i>Net Change in Fund Balances</i>	<u>(1,175,165)</u>	<u>100,093</u>	<u>583,910</u>	<u>436,697</u>	<u>(54,465)</u>
<i>Fund Balances (Deficit)</i>					
<i>Beginning of Year</i>	<u>10,747,424</u>	<u>(270,879)</u>	<u>0</u>	<u>1,004,059</u>	<u>11,480,604</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$9,572,259</u>	<u>(\$170,786)</u>	<u>\$583,910</u>	<u>\$1,440,756</u>	<u>\$11,426,139</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, 2014*

Net Change in Fund Balances - Total Governmental Funds (\$54,465)

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

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

Capital Outlay	3,943,622	
Current Year Depreciation	(708,569)	
Total		3,235,053

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. (78,229)

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. 377,939

Other financing sources in the governmental funds, such as certificates of participation issued, increase long-term liabilities in the statement of net position. (3,355,000)

Repayments of the school facilities loan and the energy conservation bonds are an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. 243,818

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. (169,088)

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds an interest expenditure is reported when due. (11,030)

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. (4,894)

Change in Net Position of Governmental Activities \$184,104

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Total Revenues and Other Sources	\$9,293,008	\$9,090,917	\$9,219,752	\$128,835
Total Expenditures and Other Uses	<u>11,209,519</u>	<u>11,029,432</u>	<u>10,072,079</u>	<u>957,353</u>
<i>Net Change in Fund Balance</i>	(1,916,511)	(1,938,515)	(852,327)	1,086,188
<i>Fund Balance Beginning of Year</i>	9,601,347	9,601,347	9,601,347	0
Prior Year Encumbrances Appropriated	<u>291,150</u>	<u>291,150</u>	<u>291,150</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$7,975,986</u></u>	<u><u>\$7,953,982</u></u>	<u><u>\$9,040,170</u></u>	<u><u>\$1,086,188</u></u>

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Adult Education Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Total Revenues and Other Sources	\$1,941,600	\$2,248,600	\$2,282,506	\$33,906
Total Expenditures and Other Uses	<u>1,955,520</u>	<u>2,270,368</u>	<u>2,248,011</u>	<u>22,357</u>
<i>Net Change in Fund Balance</i>	(13,920)	(21,768)	34,495	56,263
<i>Fund Balance Beginning of Year</i>	7,848	7,848	7,848	0
Prior Year Encumbrances Appropriated	<u>13,920</u>	<u>13,920</u>	<u>13,920</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$7,848</u></u>	<u><u>\$0</u></u>	<u><u>\$56,263</u></u>	<u><u>\$56,263</u></u>

See accompanying notes to the basic financial statements

Knox County Career Center

Statement of Net Position

Internal Service Fund

June 30, 2014

	<u>Self Insurance</u>
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$31,825
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	<u>8,866</u>
Net Position	
Unrestricted	<u><u>\$22,959</u></u>

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2014

	Self Insurance
Operating Revenues	
Charges for Services	\$91,202
Operating Expenses	
Purchased Services	6,911
Claims	89,185
<i>Total Operating Expenses</i>	96,096
<i>Change in Net Position</i>	(4,894)
<i>Net Position Beginning of Year</i>	27,853
<i>Net Position End of Year</i>	\$22,959

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2014

	Self Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$91,202
Cash Payments to Suppliers for Goods and Services	(6,911)
Cash Payments for Claims	(82,179)
<i>Net Increase in Cash and Cash Equivalents</i>	2,112
<i>Cash and Cash Equivalents Beginning of Year</i>	29,713
<i>Cash and Cash Equivalents End of Year</i>	\$31,825
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
<i>Operating Loss</i>	(\$4,894)
Adjustments:	
Increase in Claims Payable	7,006
<i>Net Cash Provided by Operating Activities</i>	\$2,112

See accompanying notes to the basic financial statements

Knox County Career Center
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$15,188	\$46,110
Liabilities		
Due to Students	0	\$46,110
Net Position		
Held in Trust for Scholarships	\$15,188	

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, 2014

	Private Purpose Trust
	Scholarship
Additions	
Interest	\$15
Deductions	
Payments in Accordance with Trust Agreements	306
<i>Change in Net Position</i>	(291)
<i>Net Position Beginning of Year</i>	15,479
<i>Net Position End of Year</i>	\$15,188

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, 2014

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 full-time employees and 31 non-certified full-time employees who provide services to 600 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 ensure 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 17 and 18 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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, 2014

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

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

Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and 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, 2014

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.

Building Fund – This fund is used to account for and report revenues restricted for the construction or renovation of the Center’s buildings. Revenues consist primarily of a certificate of participation issued by the Center to assist with building improvements.

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, 2014

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 total net position. The statement of cash flows provides information about how the Center finances and meets the cash flow needs of its internal service fund activity. The private purpose trust fund is accounted for on a flow of economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows 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 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 represent 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.

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

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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 2014, investments were limited to federal national mortgage association bonds, federal home loan bank bonds, federal home loan mortgage bonds, and federal home loan bank notes, 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 Rule2a7 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, 2014.

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 2014 amounted to \$44,078, which includes \$10,424 assigned from other Center funds.

Knox County Career Center
Notes to the Basic Financial Statements
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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, 2014, 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.

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.

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For the Fiscal Year Ended June 30, 2014

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 classroom facilities maintenance, public school preschool, and other local, state, and federal grants.

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 Career Center is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the Career Center Board of Education. Those committed amounts cannot be used for any other purpose unless the Career 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 Career 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 Career 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 Career Center applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Internal Activities

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

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

Estimates

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

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 2014.

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 3 – Compliance

Fund balances at June 30, 2014, included the following individual fund deficits:

Special Revenue Funds:

Adult Education Fund	\$170,786
Career and Family Grant Fund	79
Food Service Fund	23,122

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 4 – Budgetary Basis of Accounting

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

	General	Adult Education
GAAP Basis	(\$1,175,165)	\$100,093
Net Adjustment for Revenue Accruals	227,085	2,578
Advances In	205,000	140,000
Beginning Fair Value Adjustment for Investments	17,100	0
Ending Fair Value Adjustment for Investments	2,936	0
Net Adjustment for Expenditure Accruals	152,544	(8,509)
Advances Out	(158,000)	(190,000)
Encumbrances	(123,827)	(9,667)
Budget Basis	(\$852,327)	\$34,495

Note 5 – Fund Balances

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

	General Fund	Adult Education Fund	Building Fund	Other Governmental Funds	Total
<i>Nonspendable</i>					
Inventory	\$40,215	\$5,814	\$0	\$0	\$46,029
<i>Restricted for</i>					
Facilities Maintenance	0	0	0	885,475	885,475
Capital Improvements	0	0	583,910	567,235	1,151,145
Other Purposes	0	0	0	5,268	5,268
<i>Total Restricted</i>	0	0	583,910	1,457,978	2,041,888
<i>Committed to</i>					
Other Purposes	0	0	0	5,979	5,979
<i>Assigned to</i>					
2015 Appropriations	1,469,494	0	0	0	1,469,494
Purchases on Order	114,719	0	0	0	114,719
Other Purposes	63,203	0	0	0	63,203
<i>Total Assigned</i>	1,647,416	0	0	0	1,647,416
<i>Unassigned (Deficit)</i>	7,884,628	(176,600)	0	(23,201)	7,684,827
<i>Total Fund Balances</i>	\$9,572,259	(\$170,786)	\$583,910	\$1,440,756	\$11,426,139

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 6 – 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); and
8. Commercial paper and bankers acceptances of training requirement have been met.
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
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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 which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$3,975,962 of the Center’s bank balance of \$10,043,942 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent. Although the securities serving as collateral were held by the pledging institution in the pledging institution’s name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

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

Investments

As of June 30, 2014, the Center had the following investments. All investments are in an internal investment pool.

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	3-5
Federal National Mortgage Association Bonds	\$497,775	\$0	\$497,775
Federal Home Loan Bank Bonds	994,775	0	994,775
Federal Home Loan Mortgage Bonds	801,188	0	801,188
Federal Home Loan Bank Notes	499,750	0	499,750
STAR Ohio	66,740	66,740	0
Total Investments	\$2,860,228	\$66,740	\$2,793,488

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, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Bonds, and Federal Home Loan Bank Notes carry a rating of AA+ by Standard and Poor’s. STAROhio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAROhio

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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.

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, 2014:

<u>Investment</u>	<u>Percentage of Investments</u>
Federal National Mortgage Association Bonds	17.40 %
Federal Home Loan Bank Bonds	34.78
Federal Home Loan Mortgage Bonds	28.01
Federal Home Loan Bank Notes	17.47

Note 7 – 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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in calendar year 2014 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 Career Center its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2014, are available to finance fiscal year 2014 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, 2014 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, 2014, was \$839,164 in the general fund. The amount available as an advance at June 30, 2013, was \$1,215,434 in the general fund.

Knox County Career Center
Notes to the Basic Financial Statements
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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.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,253,568,050	95.66 %	\$1,246,988,210	95.90 %
Public Utility Personal	56,834,880	4.34	53,270,820	4.10
Total	\$1,310,402,930	100.00 %	\$1,300,259,030	100.00 %
Tax rate per \$1,000 of assessed valuation	\$6.40		\$6.40	

Note 8 – Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (customer services, student fees and insurance premiums), payments in lieu of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables except delinquent property taxes are expected to be collected within one year. Intergovernmental receivables consist of \$22,712 in the General fund, \$4,793 in the Adult Education Fund and \$1,411 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.

Note 9 – 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

Knox County Career Center
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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 18). 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 18). 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 \$8,866 reported in the internal service fund at June 30, 2014, 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 Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
2013	\$6,776	\$83,357	\$88,273	\$1,860
2014	1,860	89,185	82,179	8,866

Note 10 – Interfund Transactions

Interfund Transfers

There was a transfer made during the year ended June 30, 2014 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 OSFC maintenance fund (a nonmajor governmental fund) in accordance with GASB Statement No. 54. Transfers were also made from the general fund to the adult education fund, the food service fund, and the preschool tuition fund to support the operations of those funds.

All transfers made during fiscal year 2014 were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

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Interfund Balances

Interfund Payable	Interfund Receivable General
Major Governmental Funds:	
Adult Education	\$185,000
Nonmajor Governmental Funds:	
Preschool Tuition Fund	1,000
Food Service Fund	17,000
Total	\$203,000

The interfund payables from 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.

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/2013	Additions	Deductions	Balance 6/30/2014
Governmental Activities				
Non-Depreciable Assets:				
Land	\$321,280	\$0	\$0	\$321,280
Construction in Progress	21,169	2,968,983	0	2,990,152
Total Non-Depreciable Assets	342,449	2,968,983	0	3,311,432
Depreciable Assets:				
Building and Improvements	22,723,647	31,430	(85,000)	22,670,077
Furniture, Fixtures, and Equipment	4,164,618	909,425	(67,685)	5,006,358
Vehicles	306,992	33,784	0	340,776
Total Depreciable Assets	27,195,257	974,639	(152,685)	28,017,211
Less Accumulated Depreciation:				
Building and Improvements	(3,278,758)	(330,718)	10,314	(3,599,162)
Furniture, Fixtures, and Equipment	(2,590,488)	(352,423)	64,142	(2,878,769)
Vehicles	(117,181)	(25,428)	0	(142,609)
Total Accumulated Depreciation	(5,986,427)	(708,569) *	74,456	(6,620,540)
Depreciable Capital Assets, Net	21,208,830	266,070	(78,229)	21,396,671
Governmental Activities Capital Assets, Net	\$21,551,279	\$3,235,053	(\$78,229)	\$24,708,103

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$9,534
Special	549
Vocational	421,798
Adult/Continuing	62,913
Support Services:	
Pupils	17,864
Instructional Staff	42,361
Board of Education	336
Administration	36,268
Fiscal	17,120
Business	55
Operation and Maintenance of Plant	76,706
Operation of Non-instructional Services	23,065
Total Depreciation Expense	\$708,569

Note 12 – Defined Benefit Pension Plans

School Employees Retirement System

Plan Description – The Career 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 Career 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, 2014, 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 Career Center’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$230,433, \$227,361, and \$212,871, respectively. For 2014, 98.5 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

State Teachers Retirement System

Plan Description – The Career 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.

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 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased on percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Career Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Career Center's required contributions to STRS Ohio for the DB Plan for the fiscal years ended June 30, 2014, 2013, and 2012 were \$697,274, \$635,365, and \$686,733, respectively. For 2014, 88.1 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions made to the DC Plan for fiscal year 2014 were \$48,053 made by the Career Center and \$37,756 made by the plan members. For fiscal year 2014, member contributions of \$23,210 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, 2014, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 13 – Postemployment Benefits

School Employees Retirement System

Plan Description – The Career 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.

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 2014, 0.14 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 2014, this amount was \$20,250. During fiscal year 2014, the Career Center paid \$20,970 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 Career Center's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$23,433, \$27,772, and \$31,251, respectively. For 2014, 98.5 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Career Center's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$13,369, \$12,843, and \$12,571, respectively. For 2014, 98.5 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

Plan Description – The Career 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.

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The Career Center’s contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$53,636, \$54,179, and \$52,826, respectively. For 2014, 88.1 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

Note 14 – Other Employee Benefits

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

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

Note 15 – Long-term Obligations

The changes in the Center’s long-term obligations during fiscal year 2014 were as follows:

		Outstanding 6/30/2013	Additions	Reductions	Outstanding 6/30/2014	Amounts Due in One Year
Governmental Activities						
Energy Conservation Bonds	4.87%					
Issued January 15, 1999		\$28,818	\$0	(\$28,818)	\$0	\$0
School Facilities Loan	4.84%					
Issued August 17, 2006		3,769,000	0	(215,000)	3,554,000	225,000
School Facilities COPS	2-5%					
Issued September 10, 2013		0	3,355,000	0	3,355,000	115,000
Compensated Absences		701,758	870,846	(701,758)	870,846	158,241
<i>Total Governmental Activities</i>						
<i>Long-Term Liabilities</i>						
		<u>\$4,499,576</u>	<u>\$4,225,846</u>	<u>(\$945,576)</u>	<u>\$7,779,846</u>	<u>\$498,241</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 matured 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

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

portion of the Ohio School Facilities Commission Project. The loan will be paid from property tax revenue and matures June 30, 2026. The School Facilities certificates of participation will be used for building improvements. The certificates of participation will be paid from property tax revenue and mature on December 1, 2034.

The Center's overall legal debt margin was \$116,991,795 with an unvoted debt margin of \$1,300,403 at June 30, 2014. Principal and interest requirements to retire the debt outstanding at June 30, 2014, are as follows:

	School Facilities Loan		School Facilities COPS		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$225,000	\$172,014	\$115,000	\$139,638	\$340,000	\$311,652
2016	236,000	161,124	120,000	137,287	356,000	298,411
2017	247,000	149,701	120,000	134,887	367,000	284,588
2018	260,000	137,746	125,000	132,437	385,000	270,183
2019	272,000	125,162	125,000	129,781	397,000	254,943
2020-2024	1,572,000	415,077	710,000	571,001	2,282,000	986,078
2025-2029	742,000	54,304	905,000	377,250	1,647,000	431,554
2030-2034	0	0	1,135,000	144,900	1,135,000	144,900
Total	\$3,554,000	\$1,215,128	\$3,355,000	\$1,767,181	\$6,909,000	\$2,982,309

Note 16 – 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 year end. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Capital</u>
	<u>Improvement</u>
Set-aside Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	91,850
Qualifying Disbursements	<u>(91,850)</u>
Set-aside Balance as of June 30, 2014	<u><u>\$0</u></u>

Note 17 – 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

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 \$19,804 to TRECA during fiscal year 2014.

Note 18 – 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 Ohio School Board Association (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 OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Shuett Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Shuett Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Note 19 – 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, 2014.

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.

Knox County Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 20 – 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:

General Fund	\$123,827
Adult Education	9,667
Building Fund	1,456,982
Other Governmental Funds	792,447
Total	<u><u>\$2,382,923</u></u>

Note 21 – Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees”.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

SUPPLEMENTARY DATA

**KNOX COUNTY CAREER CENTER
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	2014	\$ 25,997	\$ 25,997
(D)(E) National School Lunch Program - Food Donation	10.555	2014	4,375	4,375
(C)(D) National School Lunch Program	10.555	2014	76,705	76,705
Total National School Lunch Program			<u>81,080</u>	<u>81,080</u>
Total Child Nutrition Cluster			<u>107,077</u>	<u>107,077</u>
State Administrative Expenses for Child Nutrition	10.560	2014	-	4,435
Total U.S. Department of Agriculture			<u>107,077</u>	<u>111,512</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Adult Education - Basic Grants to States	84.002	2014	37,396	36,091
Student Financial Assistance Cluster:				
(F)(G) Federal Supplemental Educational Opportunity Grants	84.007	N/A	8,584	8,584
(F)(G) Federal Pell Grant Program	84.063	N/A	669,343	669,343
(F)(G) Federal Direct Student Loans	84.268	N/A	1,143,711	1,143,711
Total Student Financial Assistance Cluster			<u>1,821,638</u>	<u>1,821,638</u>
Career and Technical Education - Basic Grants to States	84.048	2014	304,818	304,818
Improving Teacher Quality State Grants	84.367	2014	2,263	2,263
Total U.S. Department of Education			<u>2,166,115</u>	<u>2,164,810</u>
Total Federal Financial Assistance			<u>\$ 2,273,192</u>	<u>\$ 2,276,322</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

- (A) OAKS did not assign pass-through numbers for fiscal year 2014.
- (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 the "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



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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, as of and for the fiscal year ended June 30, 2014, 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 15, 2014.

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.

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

Julian & Grube, Inc.
December 15, 2014



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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 each of the Knox County Career Center's major federal programs for the fiscal year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Knox County Career Center's major federal programs.

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 programs. However, our audit does not provide a legal determination of the Knox County Career Center's compliance.

Board of Education
Knox County Career Center

Opinion on Each 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 each of its major federal programs for the fiscal year ended June 30, 2014.

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 15, 2014

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

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 Programs (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; Career and Technical Education - Basic Grants to States - CFDA #84.048
<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



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
APRIL 9, 2015**