PENTA CAREER CENTER

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

Mary Taylor, CPA
Auditor of State

Board of Education
Penta Career Center
30095 Oregon Road
Perrysburg, Ohio 43551

We have reviewed the *Independent Auditors' Report* of the Penta Career Center, Wood County, prepared by Weber O'Brien, Ltd., for the audit period July 1, 2005 through June 30, 2006. 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 Penta Career Center is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 24, 2007

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PENTA CAREER CENTER

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# INDEPENDENT AUDITORS' REPORT

Board of Education
Penta Career Center
30095 Oregon Road
Perrysburg, OH 43551

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Penta Career Center ("Career Center"), an Ohio Vocational School District, as of and for the year ended June 30, 2006, which collectively comprise the Career Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Career Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Career Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Penta Career Center as of June 30, 2006, and the respective changes in financial position in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2007 on our consideration of the 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and pages 44 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Penta Career Center's basic financial statements. The accompanying schedule of expenditures of federal awards on page 46 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weber O'Brien Ltd

January 10, 2007

The discussion and analysis of Penta Career Center's financial performance provides an overview of the Career Center's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the Career Center's financial performance as a whole.

## HIGHLIGHTS

Highlights for fiscal year 2006 are as follows:

> Over the past several years, the Career Center has been in the planning stages to build and relocate to a new campus. A consulting firm was hired in 2000 which recommended that a new facility be constructed rather than renovating the current campus. The recommendation was based on several factors including space limitations, new educational requirements from the State of Ohio, safety issues, future program initiatives, and infrastructure issues. Land was purchased in fiscal year 2001. A one mill property tax levy was passed on the November 2003 ballot for permanent improvements which will be used to pay for the construction of the new campus. The Career Center began receiving property tax revenues from this levy in January 2004. Contracts for construction were awarded September 28, 2005, February 22, 2006, March 8, 2006, April 12, 2006, and July 13, 2006, for various phases and actual construction of the new campus began in October 2005. The Career Center is scheduled to occupy the new campus towards the end of fiscal year 2009.
>
> The Career Center's negotiated contract with the certified staff included a 3.25 percent salary increase in fiscal year 2006. The new agreement required the employee to pay 8 percent of the health care premium in fiscal year 2006.
>
> Total assets increased by 19 percent principally from the issuance of $15,000,000 in notes payable that were not expended for the construction of the new campus by fiscal year end, along with the interest revenues generated from the investments relating to the debt issued for the new campus construction. Net assets increased by almost 23 percent from unexpended property taxes for permanent improvements and interest revenues from invested debt proceeds, along with controlling expenses related to operations.

## USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Penta Career Center's financial position.

The statement of net assets and the statement of activities provide information about the activities of the Career Center as a whole, presenting both an aggregate and a longer-term view of the Career Center.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the Career Center's most significant funds individually and the Career Center's non-major funds in a single column. The Career Center's major funds are the General Fund, Bond Retirement debt service fund, and the Permanent Improvement and Building capital projects funds.

## REPORTING THE CAREER CENTER AS A WHOLE

The statement of net assets and the statement of activities reflect how the Career Center did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the Career Center's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the Career Center as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors can include changes in the Career Center's property tax base and the condition of the Career Center's capital assets. These factors must be considered when assessing the overall health of the Career Center.

In the statement of net assets and the statement of activities, all of the Career Center's activities are reported as governmental activities including instruction, support services, noninstructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

## REPORTING THE CAREER CENTER'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the Career Center's major funds. The Career Center's major governmental funds are the General Fund, Bond Retirement debt service fund, and the Permanent Improvement and Building capital projects funds. While the Career Center uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The Career Center's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. The Career Center's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at fiscal year end. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the Career Center's operations.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Career Center's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Career Center. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the Career Center's programs. These funds use the accrual basis of accounting.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the Career Center's net assets for fiscal year 2006 and fiscal year 2005.

Table 1
Net Assets

| | 2006 | 2005 |
|---|---|---|
| Assets | | |
| Current and Other Assets | $114,440,651 | $102,439,145 |
| Capital Assets, Net | 25,304,758 | 14,870,475 |
| Total Assets | 139,745,409 | 117,309,620 |
| Liabilities | | |
| Current and Other Liabilities | 35,157,623 | 17,985,605 |
| Long-Term Liabilities | 68,412,907 | 69,858,853 |
| Total Liabilities | 103,570,530 | 87,844,458 |
| Net Assets | | |
| Invested in Capital Assets, Net of Related Debt | 9,559,495 | 10,490,516 |
| Restricted | 26,814,065 | 19,722,090 |
| Unrestricted (Deficit) | (198,681) | (747,444) |
| Total Net Assets | $36,174,879 | $29,465,162 |

Current and other assets increased by 12 percent, or $12,001,506. Cash and cash equivalents increased from the issuance of $15,000,000 in general obligation notes in March 2006 that were not expended for the construction of the new campus by fiscal year end.

Capital assets increased significantly as construction of the new campus started during fiscal year 2006. Overall total assets increased by 19 percent.

Current and other liabilities also increased significantly primarily from the issuance of the general obligation notes. There were also significant liabilities for contracts and retainage payable relating to the construction of the new campus. Long-term liabilities decreased from the retirement of general obligation bonds and the certificates of participation.

Invested in capital assets, net of related debt, decreased as depreciation on existing capital assets exceeded the acquisition of depreciable capital assets. Restricted net assets increased from the transfers from the General Fund to the Permanent Improvement capital projects fund to set aside money for the construction of the new campus. Restricted net assets also increased for property taxes collected on the one mill levy for permanent improvements and interest earned on unexpended debt proceeds. A portion of these resources is transferred to the debt service fund to pay for the related debt each fiscal year.

Table 2 reflects the change in net assets for fiscal year 2006 and fiscal year 2005.

Table 2
Change in Net Assets

| | Governmental Activities | |
|---|---|---|
| | 2006 | 2005 |
| Revenues | | |
| Program Revenues | | |
| Charges for Services | $1,304,709 | $1,291,868 |
| Operating Grants and Contributions | 5,737,228 | 5,507,617 |
| Total Program Revenues | 7,041,937 | 6,799,485 |
| General Revenues | | |
| Property Taxes | 14,940,863 | 14,439,135 |
| Payment in Lieu of Taxes | 125,003 | 142,485 |
| Grants and Entitlements not Restricted to Specific Programs | 8,428,921 | 8,423,201 |
| Interest | 3,729,330 | 1,795,597 |
| Miscellaneous | 65,118 | 77,201 |
| Total General Revenues | 27,289,235 | 24,877,619 |
| Total Revenues | 34,331,172 | 31,677,104 |
| Instruction: | | |
| Regular | 51,787 | 631,371 |
| Special | 973,943 | 1,027,014 |
| Vocational | 12,754,964 | 11,351,564 |
| Adult/Continuing | 675,409 | 756,035 |
| Support Services: | | |
| Pupils | 2,373,503 | 2,323,134 |
| Instructional Staff | 2,190,829 | 1,962,729 |
| Board of Education | 70,384 | 63,398 |
| Administration | 1,380,577 | 1,434,381 |
| Fiscal | 626,503 | 566,563 |
| Operation and Maintenance of Plant | 2,355,379 | 2,131,214 |
| Central | 295,154 | 191,073 |

(continued)

Table 2
Change in Net Assets
(continued)

| | 2006 | 2005 |
|---|---|---|
| Expenses (continued) | | |
| Noninstructional Services | $838,054 | $868,706 |
| Extracurricular Activities | 85,467 | 626 |
| Intergovernmental | 5,000 | 10,000 |
| Interest and Fiscal Charges | 2,944,502 | 3,075,609 |
| Total Expenses | 27,621,455 | 26,393,417 |
| Increase in Net Assets | 6,709,717 | 5,283,687 |
| Net Assets at Beginning of Year | 29,465,162 | 24,181,475 |
| Net Assets at End of Year | $36,174,879 | $29,465,162 |

Program revenues accounted for 21 percent of total revenues received in fiscal year 2006, which is slightly less than last fiscal year. These revenues consisted of tuition and fees, charges for providing lunches to students, vocational services grants for specified purposes, and gifts and donations. Operating grants and contributions increased from the Career Center being awarded additional vocational monies in fiscal year 2006 due to increased enrollment. The majority of general revenues consisted of property taxes and unrestricted grants and entitlements. Due to the large amount of cash available to be invested during fiscal year 2006 relating to the construction project, interest revenue increased by $1,933,733. Total revenues increased 8 percent due to property tax and interest revenue increases.

In prior years, the Career Center had coded a portion of the instructional costs to regular instruction. Based on current recommendations by the Ohio Department of Education, these expenses are considered related to career-technical instruction and, therefore, recorded as part of vocational instruction.

Costs for providing instruction increased 5 percent from the prior fiscal year and remained a little over half of all of the Career Center's expenses. The percentage of total expenses for support services and noninstructional expenses were 34 percent and 3 percent, respectively, as compared to 33 percent and 3 percent, respectively, for fiscal year 2005. Support services include costs associated with providing support to pupils and teachers, along with expenses relating to the administration and maintenance of buildings. Noninstructional expenses consist of food services to students.

Net assets continued to increase from the receipt of a full year's collection of the property tax levy for permanent improvements that are being principally restricted to pay the principal and interest payments on the certificates of participation and from interest revenue earned on investing the proceeds of that debt.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Instruction: | | | | |
| Regular | $51,787 | $631,371 | $31,784 | $603,217 |
| Special | 973,943 | 1,027,014 | (151,551) | (95,325) |
| Vocational | 12,754,964 | 11,351,564 | 8,688,080 | 7,895,051 |
| Adult/Continuing | 675,409 | 756,035 | (166,968) | (728,902) |
| Support Services: | | | | |
| Pupils | 2,373,503 | 2,323,134 | 1,890,455 | 2,297,579 |
| Instructional Staff | 2,190,829 | 1,962,729 | 2,190,829 | 1,962,554 |
| Board of Education | 70,384 | 63,398 | 70,384 | 63,398 |
| Administration | 1,380,577 | 1,434,381 | 1,380,577 | 1,434,381 |
| Fiscal | 626,503 | 566,563 | 626,503 | 566,563 |
| Operation and Maintenance of Plant | 2,355,379 | 2,131,214 | 2,355,379 | 2,131,214 |
| Central | 295,154 | 191,073 | 295,154 | 191,073 |
| Noninstructional Services | 838,054 | 868,706 | 350,282 | 186,894 |
| Extracurricular Activities | 85,467 | 626 | 69,108 | 626 |
| Intergovernmental | 5,000 | 10,000 | 5,000 | 10,000 |
| Interest and Fiscal Charges | 2,944,502 | 3,075,609 | 2,944,502 | 3,075,609 |
| Total Expenses | $27,621,455 | $26,393,417 | $20,579,518 | $19,593,932 |

All costs associated with special instruction were funded by a portion of the Career Center's State foundation revenue. Although the Career Center's main function is to provide career-technical training to high school and adult students, only 32 percent of program revenues are specifically received to provide the instruction. The Career Center funds 55 percent of its total instruction costs and almost all of the support services costs with property taxes and unrestricted grants and entitlements. Adult/continuing expenses were fully funded by tuition and fees and grants for fiscal year 2005 and fiscal year 2006.

Noninstructional expenses for food service operations continue to be partially funded with general revenues because part of the operations includes the training of students.

## GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS

The Career Center's governmental funds are accounted for using the modified accrual basis of accounting. The Career Center's major governmental funds are the General Fund, Bond Retirement debt service fund, and the Permanent Improvement and Building capital projects funds. For the General Fund, both revenues and expenditures were very comparable to the prior fiscal year. The excess of revenues over expenditures in the General Fund was $2,117,803 indicating that the Career Center continues to carefully allocate resources. The General Fund continues to transfer funds to the Permanent Improvement capital projects fund for renovations, debt service requirements, and to set aside funding for the Career Center's construction of a new campus.

Principal and interest payments within the Bond Retirement debt service fund are fully funded by transfers from the Permanent Improvement capital projects fund.

The excess of revenues over expenditures in the Permanent Improvement capital projects fund was $5,451,980. Revenues increased principally from the interest earned on available cash balances within the fund. Transfers were made to the Bond Retirement debt service fund for the scheduled principal and interest payments on the certificates of participation and the Building capital projects fund.

Expenditures exceeded revenues in the Building capital projects fund, in the amount of $8,733,520, as the construction of the new campus was started.

## BUDGETARY HIGHLIGHTS

The Career Center prepares an annual budget of revenues and expenditures for all funds of the Career Center for use by the Career Center's administration, management, and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations resolution which is effective the first day of July. The Career Center's most significant budgeted fund is the General Fund. During fiscal year 2006, the Career Center amended its General Fund budget as needed.

For the General Fund, final budgeted revenues increased by 3 percent from the original revenue estimates from increased property tax revenues. Actual revenues were slightly less than final budgeted revenues, in the amount of $125,929, or less than 1 percent. Final appropriations increased 2 percent from the original budget. Actual expenditures were within 1 percent of the final appropriations.

The budgetary statement presentation is at the function level. Since the Board of Education budgets the General Fund at the fund level, the negative variance amounts presented on the financial statements do not represent violations of budgetary law.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The primary increase in capital assets is from the construction in progress for the new campus. Note 9 provides additional details regarding capital assets.

Debt - The Career Center had two outstanding debt issues. The land acquisition bonds, in the amount of \$2,285,000, pertain to the acquisition of property for the construction of the new campus. The bonds are paid from transfers from the General Fund. The Career Center also entered into a leasing arrangement for constructing, equipping, and furnishing a new campus. The outstanding balance on the certificates of participation was \$62,660,000, at June 30, 2006. The leasing agreement will be paid from a one mill permanent improvement property tax levy.

In addition to the debt outlined above, the Career Center's long-term obligations also include compensated absences. Note 17 provides additional details regarding long-term obligations.

## CURRENT ISSUES

Construction on the new Penta Career Center is proceeding on schedule with the project expected to be completed in fiscal year 2009. The Career Center is soliciting bids for furniture, fixtures, and equipment to furnish the new career center during fiscal year 2007.

## REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Career Center's finances for all those interested in Penta Career Center's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Carrie J. Herringshaw, Treasurer, 30095 Oregon Road, Perrysburg, Ohio 43551.

**Penta Career Center**
*Statement of Net Assets*
*June 30, 2006*

| | Governmental Activities |
|---|---|
| **Assets** | |
| Equity in Pooled Cash and Cash Equivalents | $41,211,471 |
| Cash and Cash Equivalents with Escrow Agent | 528,376 |
| Investments | 52,918,064 |
| Accounts Receivable | 34,018 |
| Accrued Interest Receivable | 314,037 |
| Intergovernmental Receivable | 147,899 |
| Prepaid Items | 445,830 |
| Inventory Held for Resale | 10,290 |
| Materials and Supplies Inventory | 3,469 |
| Property Taxes Receivable | 17,217,164 |
| Unamortized Issuance Costs | 1,610,033 |
| Nondepreciable Capital Assets | 19,575,980 |
| Depreciable Capital Assets, Net | 5,728,778 |
| *Total Assets* | 139,745,409 |
| **Liabilities** | |
| Accrued Wages and Benefits Payable | 1,590,063 |
| Accounts Payable | 170,606 |
| Contracts Payable | 889,075 |
| Retainage Payable | 596,384 |
| Matured Compensated Absences Payable | 73,729 |
| Separation Benefits Payable | 5,215 |
| Intergovernmental Payable | 282,473 |
| Accrued Interest Payable | 830,138 |
| Notes Payable | 15,000,000 |
| Deferred Revenue | 15,719,940 |
| Long-Term Liabilities | |
| Due Within One Year | 1,758,507 |
| Due in More Than One Year | 66,654,400 |
| *Total Liabilities* | 103,570,530 |
| **Net Assets** | |
| Invested in Capital Assets, Net of Related Debt | 9,559,495 |
| Restricted for: | |
| Capital Projects | 26,653,243 |
| Other Purposes | 160,822 |
| Unrestricted (Deficit) | (198,681) |
| *Total Net Assets* | $36,174,879 |

See accompanying notes to the basic financial statements

**Penta Career Center**
*Statement of Activities*
*For the Fiscal Year Ended June 30, 2006*

| | | Program Revenues | | Net (Expense) Revenue and Change in Net Assets |
|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| **Governmental Activities** | | | | |
| Instruction: | | | | |
| Regular | $51,787 | $0 | $20,003 | ($31,784) |
| Special | 973,943 | 0 | 1,125,494 | 151,551 |
| Vocational | 12,754,964 | 533,275 | 3,533,609 | (8,688,080) |
| Adult/Continuing | 675,409 | 395,088 | 447,289 | 166,968 |
| Support Services: | | | | |
| Pupils | 2,373,503 | 0 | 483,048 | (1,890,455) |
| Instructional Staff | 2,190,829 | 0 | 0 | (2,190,829) |
| Board of Education | 70,384 | 0 | 0 | (70,384) |
| Administration | 1,380,577 | 0 | 0 | (1,380,577) |
| Fiscal | 626,503 | 0 | 0 | (626,503) |
| Operation and Maintenance of Plant | 2,355,379 | 0 | 0 | (2,355,379) |
| Central | 295,154 | 0 | 0 | (295,154) |
| Noninstructional Services | 838,054 | 359,987 | 127,785 | (350,282) |
| Extracurricular Activities | 85,467 | 16,359 | 0 | (69,108) |
| Intergovernmental | 5,000 | 0 | 0 | (5,000) |
| Interest and Fiscal Charges | 2,944,502 | 0 | 0 | (2,944,502) |
| *Total Governmental Activities* | $27,621,455 | $1,304,709 | $5,737,228 | (20,579,518) |

| | |
|---|---|
| **General Revenues** | |
| Property Taxes Levied for | |
| General Purposes | 10,242,513 |
| Permanent Improvement | 4,698,350 |
| Payment in Lieu of Taxes | 125,003 |
| Grants and Entitlements not Restricted to Specific Programs | 8,428,921 |
| Interest | 3,729,330 |
| Miscellaneous | 65,118 |
| *Total General Revenues* | 27,289,235 |
| *Change in Net Assets* | 6,709,717 |
| *Net Assets at Beginning of Year* | 29,465,162 |
| *Net Assets at End of Year* | $36,174,879 |

See accompanying notes to the basic financial statements

**Penta Career Center**
*Balance Sheet*
*Governmental Funds*
*June 30, 2006*

| | General | Bond Retirement | Permanent Improvement | Building | Other Governmental | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | $3,948,755 | $2,124 | $16,707,324 | $20,214,364 | $338,904 | $41,211,471 |
| Investments | 0 | 4,185,664 | 0 | 48,732,400 | 0 | 52,918,064 |
| Accounts Receivable | 32,858 | 0 | 0 | 0 | 1,160 | 34,018 |
| Accrued Interest Receivable | 76,309 | 23,800 | 0 | 213,928 | 0 | 314,037 |
| Intergovernmental Receivable | 15,107 | 0 | 0 | 0 | 132,792 | 147,899 |
| Interfund Receivable | 123,419 | 0 | 21,192 | 0 | 0 | 144,611 |
| Prepaid Items | 55,552 | 0 | 0 | 390,278 | 0 | 445,830 |
| Inventory Held for Resale | 0 | 0 | 0 | 0 | 10,290 | 10,290 |
| Materials and Supplies Inventory | 0 | 0 | 0 | 0 | 3,469 | 3,469 |
| Restricted Assets | | | | | | |
| Cash and Cash Equivalents with Escrow Agent | 0 | 0 | 0 | 528,376 | 0 | 528,376 |
| Property Taxes Receivable | 11,868,743 | 0 | 5,348,421 | 0 | 0 | 17,217,164 |
| *Total Assets* | $16,120,743 | $4,211,588 | $22,076,937 | $70,079,346 | $486,615 | $112,975,229 |
| **Liabilities and Fund Balances** | | | | | | |
| **Liabilities** | | | | | | |
| Accrued Wages and Benefits Payable | $1,557,933 | $0 | $0 | $0 | $32,130 | $1,590,063 |
| Accounts Payable | 161,212 | 0 | 0 | 1,814 | 7,580 | 170,606 |
| Contracts Payable | 0 | 0 | 0 | 889,075 | 0 | 889,075 |
| Retainage Payable | 0 | 0 | 0 | 596,384 | 0 | 596,384 |
| Matured Compensated Absences Payable | 73,729 | 0 | 0 | 0 | 0 | 73,729 |
| Intergovernmental Payable | 262,236 | 0 | 0 | 0 | 20,237 | 282,473 |
| Interfund Payable | 21,192 | 0 | 0 | 0 | 123,419 | 144,611 |
| Accrued Interest Payable | 0 | 0 | 0 | 123,626 | 0 | 123,626 |
| Notes Payable | 0 | 0 | 0 | 15,000,000 | 0 | 15,000,000 |
| Deferred Revenue | 11,291,369 | 23,800 | 5,028,924 | 213,928 | 115,965 | 16,673,986 |
| *Total Liabilities* | 13,367,671 | 23,800 | 5,028,924 | 16,824,827 | 299,331 | 35,544,553 |
| **Fund Balances** | | | | | | |
| Reserved for Property Taxes | 658,865 | 0 | 295,478 | 0 | 0 | 954,343 |
| Reserved for Encumbrances | 685,170 | 0 | 0 | 67,122,372 | 65,062 | 67,872,604 |
| Unreserved, Reported in | | | | | | |
| General Fund | 1,409,037 | 0 | 0 | 0 | 0 | 1,409,037 |
| Special Revenue Funds | 0 | 0 | 0 | 0 | 122,222 | 122,222 |
| Debt Service Fund | 0 | 4,187,788 | 0 | 0 | 0 | 4,187,788 |
| Capital Projects Funds (Deficit) | 0 | 0 | 16,752,535 | (13,867,853) | 0 | 2,884,682 |
| *Total Fund Balances* | 2,753,072 | 4,187,788 | 17,048,013 | 53,254,519 | 187,284 | 77,430,676 |
| *Total Liabilities and Fund Balances* | $16,120,743 | $4,211,588 | $22,076,937 | $70,079,346 | $486,615 | $112,975,229 |

See accompanying notes to the basic financial statements

**Penta Career Center**

*Reconciliation of Total Governmental Fund Balances*
*to Net Assets of Governmental Activities*
*June 30, 2006*

| | | |
|---|---|---|
| *Total Governmental Fund Balances* | | $77,430,676 |
| ***Amounts reported for governmental activities on the statement of net assets are different because of the following:*** | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 25,304,758 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds: | | |
| Accounts Receivable | 21,217 | |
| Intergovernmental Receivable | 119,172 | |
| Accrued Interest Receivable | 314,037 | |
| Property Taxes Receivable | 499,620 | |
| | | 954,046 |
| Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. | | 1,610,033 |
| Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds: | | |
| Separation Benefits Payable | (5,215) | |
| Accrued Interest Payable | (706,512) | |
| General Obligation Bonds Payable | (2,285,000) | |
| Certificates of Participation Payable | (63,536,610) | |
| Compensated Absences Payable | (2,591,297) | |
| | | (69,124,634) |
| *Net Assets of Governmental Activities* | | $36,174,879 |

See accompanying notes to the basic financial statements

**Penta Career Center**
*Statement of Revenues, Expenditures, and Changes in Fund Balances*
*Governmental Funds*
*For the Fiscal Year Ended June 30, 2006*

| | General | Bond Retirement | Permanent Improvement | Building | Other Governmental | Total |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Property Taxes | $10,384,969 | $0 | $4,773,776 | $0 | $0 | $15,158,745 |
| Payment in Lieu of Taxes | 125,003 | 0 | 0 | 0 | 0 | 125,003 |
| Intergovernmental | 12,442,598 | 0 | 522,805 | 0 | 1,191,258 | 14,156,661 |
| Interest | 270,851 | (22,157) | 675,504 | 2,525,623 | 0 | 3,449,821 |
| Tuition and Fees | 176,935 | 0 | 0 | 0 | 395,088 | 572,023 |
| Charges for Services | 335,123 | 0 | 0 | 0 | 359,987 | 695,110 |
| Extracurricular Activities | 16,359 | 0 | 0 | 0 | 0 | 16,359 |
| Gifts and Donations | 38,914 | 0 | 0 | 0 | 0 | 38,914 |
| Miscellaneous | 25,996 | 0 | 579 | 0 | 38,543 | 65,118 |
| *Total Revenues* | 23,816,748 | (22,157) | 5,972,664 | 2,525,623 | 1,984,876 | 34,277,754 |
| **Expenditures** | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 81,063 | 0 | 0 | 0 | 0 | 81,063 |
| Special | 879,019 | 0 | 0 | 0 | 0 | 879,019 |
| Vocational | 12,404,797 | 0 | 0 | 0 | 40,790 | 12,445,587 |
| Adult/Continuing | 149,071 | 0 | 0 | 0 | 530,087 | 679,158 |
| Support Services: | | | | | | |
| Pupils | 1,861,403 | 0 | 0 | 0 | 403,871 | 2,265,274 |
| Instructional Staff | 1,915,606 | 0 | 0 | 0 | 237,862 | 2,153,468 |
| Board of Education | 70,384 | 0 | 0 | 0 | 0 | 70,384 |
| Administration | 1,007,937 | 0 | 0 | 0 | 334,037 | 1,341,974 |
| Fiscal | 544,740 | 0 | 67,064 | 0 | 0 | 611,804 |
| Operation and Maintenance of Plant | 2,124,010 | 0 | 0 | 0 | 0 | 2,124,010 |
| Central | 300,184 | 0 | 0 | 0 | 0 | 300,184 |
| Noninstructional Services | 275,518 | 0 | 0 | 0 | 535,596 | 811,114 |
| Extracurricular Activities | 85,213 | 0 | 0 | 0 | 254 | 85,467 |
| Capital Outlay | 0 | 0 | 13,950 | 11,135,517 | 0 | 11,149,467 |
| Intergovernmental | 0 | 0 | 0 | 0 | 5,000 | 5,000 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 1,205,000 | 330,000 | 0 | 0 | 1,535,000 |
| Interest and Fiscal Charges | 0 | 2,810,831 | 109,670 | 123,626 | 0 | 3,044,127 |
| *Total Expenditures* | 21,698,945 | 4,015,831 | 520,684 | 11,259,143 | 2,087,497 | 39,582,100 |
| *Excess of Revenues Over (Under) Expenditures* | 2,117,803 | (4,037,988) | 5,451,980 | (8,733,520) | (102,621) | (5,304,346) |
| **Other Financing Sources (Uses)** | | | | | | |
| Premium on Notes Issued | 0 | 0 | 0 | 108,300 | 0 | 108,300 |
| Transfers In | 0 | 4,015,831 | 1,250,000 | 4,236,924 | 163,216 | 9,665,971 |
| Transfers Out | (1,413,216) | 0 | (8,252,755) | 0 | 0 | (9,665,971) |
| *Total Other Financing Sources (Uses)* | (1,413,216) | 4,015,831 | (7,002,755) | 4,345,224 | 163,216 | 108,300 |
| *Changes in Fund Balances* | 704,587 | (22,157) | (1,550,775) | (4,388,296) | 60,595 | (5,196,046) |
| *Fund Balances at Beginning of Year* | 2,048,485 | 4,209,945 | 18,598,788 | 57,642,815 | 126,689 | 82,626,722 |
| *Fund Balances at End of Year* | $2,753,072 | $4,187,788 | $17,048,013 | $53,254,519 | $187,284 | $77,430,676 |

See accompanying notes to the basic financial statements

**Penta Career Center**

*Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities*

*For the Fiscal Year Ended June 30, 2006*

| | | |
|---|---|---|
| *Changes in Fund Balances - Total Governmental Funds* | | ($5,196,046) |
| ***Amounts reported for governmental activities on the statement of activities are different because of the following:*** | | |
| Governmental funds report capital outlays as expenditures. However, on 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 outlay exceeded depreciation in the current year: | | |
| Nondepreciable Capital Assets | 11,019,588 | |
| Depreciable Capital Assets | 201,299 | |
| Depreciation | (764,018) | |
| | | 10,456,869 |
| The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. | | (22,586) |
| Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds: | | |
| Property Taxes | (217,882) | |
| Intergovernmental | (29,426) | |
| Interest | 279,509 | |
| Charges for Services | 21,217 | |
| | | 53,418 |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. | | 1,535,000 |
| Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities. | | |
| Accrued Interest Payable | 5,542 | |
| Amortization of Premium | 16,994 | |
| | | 22,536 |
| Issuance costs are reported as an expenditure when paid in the governmental funds, but is amortized on the statement of activities. | | (31,211) |
| Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Separation Benefits Payable | (2,215) | |
| Compensated Absences Payable | (106,048) | |
| | | (108,263) |
| *Change in Net Assets of Governmental Activities* | | $6,709,717 |

See accompanying notes to the basic financial statements

**Penta Career Center**
*Statement of Fiduciary Net Assets*
*Fiduciary Funds*
*June 30, 2006*

| | Private Purpose Trust | Agency |
|---|---|---|
| **Assets** | | |
| Equity in Pooled Cash and Cash Equivalents | $9,180 | $12,784 |
| **Liabilities** | | |
| Due to Students | 0 | $12,784 |
| **Net Assets** | | |
| Held in Trust for Students | $9,180 | |

See accompanying notes to the basic financial statements

**Penta Career Center**
*Statement of Change in Fiduciary Net Assets*
*Private Purpose Trust Fund*
*For the Fiscal Year Ended June 30, 2006*

| | |
|---|---|
| **Additions** | |
| Gifts and Donations | $4,450 |
| **Deductions** | |
| Noninstructional Services | 3,462 |
| *Change in Net Assets* | 988 |
| *Net Assets at Beginning of Year* | 8,192 |
| *Net Assets at End of Year* | $9,180 |

See accompanying notes to the basic financial statements

## Note 1 - Description of the Career Center and Reporting Entity

Penta Career Center (Career Center) is a distinct political subdivision of the State of Ohio operated under the direction of an eleven member Board of Education consisting of a representative from the participating school districts' elected boards. The Board consists of one representative from each exempted village and/or city school district: Bowling Green, Maumee, Perrysburg, and Rossford; one representative from each of the three least populous counties: Fulton, Ottawa, and Sandusky; and two representatives from each of the most populous counties: Lucas and Wood. The Board possesses its own budgeting and taxing authority. The Career Center exposes students to job training skills leading to employment upon graduation from high school.

The Career Center was established in 1964. The Career Center serves Fulton, Hancock, Henry, Lucas, Ottawa, Sandusky, and Wood Counties. It is staffed by fifty-two classified employees, two hundred thirteen certified teaching personnel, and twenty-one administrative employees who provide services to one thousand six hundred eighty-four students and other community members. The Career Center currently operates five instructional buildings.

### Reporting Entity

A reporting entity is composed of the stand-alone government, component units, and other organizations that are included to insure the financial statements are not misleading. For reporting purposes, the Career Center consists of all funds, departments, boards, and agencies that are not legally separate from the Career Center. For Penta Career Center, this includes general operations, food service, and student related activities of the Career Center.

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

The Career Center participates in two jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Ohio School Plan, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Wood County Insurance Consortium. These organizations are presented in Notes 20 and 21 to the basic financial statements.

## Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Penta Career 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. The Career Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the Career Center's accounting policies.

### A. Basis of Presentation

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

#### Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Career Center as a whole. These statements include the financial activities of the stand-alone government, except for fiduciary funds. These statements usually distinguish between those activities of the Career Center that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the Career Center has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the Career 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 Career 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Career Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Career Center.

#### Fund Financial Statements

During the fiscal year, the Career Center segregates transactions related to certain Career 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 Career 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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

### B. Fund Accounting

The Career 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 funds of the Career Center are divided into two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Career Center are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The Career Center's major funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement and Building capital projects funds.

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

Bond Retirement Fund - The Bond Retirement debt service fund accounts for the accumulation of resources for, and the payment of principal, interest, and related costs of the certificates of participation.

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

Building Fund - The Building capital projects fund accounts for proceeds from the issuance of certificates of participation to construct a new campus.

The other governmental funds of the Career Center account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

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

## C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

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

Revenues - Exchange and Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Career Center, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the Career Center receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Career Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Career Center on a reimbursement basis. On the 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 both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, student fees, and charges for services.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

## E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the estimate of revenues, certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The estimate of revenues provides information regarding the estimated revenues for all funds, along with a schedule of outstanding general obligation debt. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level for these funds are made by the Treasurer.

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

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

## F. Cash and Investments

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

Cash and cash equivalents that are held separately by an escrow agent for payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2006, the Career Center's investments included nonnegotiable certificates of deposit, federal agency securities, mutual funds, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price for mutual funds. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

The Board of Education, by resolution, allocates interest earnings at the end of each fiscal year. Interest revenue credited to the General Fund during fiscal year 2006 was $270,851, which includes $122,799 assigned from other Career Center funds.

Investments of the Career Center's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Career Center are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2006, 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 services are consumed.

**H. Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

**I. Unamortized Issuance Costs**

On the government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges.

On the governmental fund financial statements, issuance costs are recognized as expenditures in the current period.

**J. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Career Center has resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors.

## K. Capital Assets

All of the Career Center's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Career Center maintains a capitalization threshold of five thousand dollars. The Career Center does not have 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 capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Useful Lives |
|---|---|
| Land Improvements | 15 - 20 years |
| Buildings and Building Improvements | 5 - 40 years |
| Furniture, Fixtures, and Equipment | 5 - 15 years |
| Vehicles | 8 years |

## L. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

## M. 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 the Career Center will compensate the employees for the benefits through paid time off or some other means. The Career Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The liability includes earned sick leave to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the Career Center's past experience of making termination payments.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure 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 accumulated unpaid leave are paid.

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

All payables, accrued liabilities, and long-term obligations are reported on 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, compensated absences and separation benefits that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds and certificates of participation are recognized as liabilities on the fund financial statements when due.

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Career Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants restricted to expenditure for specified purposes. The Career Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School District did not have any net assets restricted by enabling legislation at June 30, 2006.

**P. Fund Balance Reserves**

The Career Center reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for property taxes and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**Q. Unamortized Premiums**

On government-wide financial statements, premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, bond premiums are recognized as other financing sources in the current period.

**R. Interfund Transactions**

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

### S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

### T. Estimates

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

## Note 3 - Change in Accounting Principles

For fiscal year 2006, the Career Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets". GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and for insurance recoveries. The implementation of this statement did not result in any change to the Career Center's financial statements.

## Note 4 - Accountability

At June 30, 2006, the Perkins special revenue fund had a deficit fund balance of $111,712 resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

## Note 5 - Deposits and Investments

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

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

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

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

Interim monies held by the Career Center may 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

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) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and

9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Career Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Career Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, $29,366,718 of the Career Center's bank balance of $30,070,539 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Career Center to a successful claim by the FDIC.

The Career Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Career 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 105 percent of the deposits being secured.

Investments

As of June 30, 2006, the Career Center had the following investments:

| | Total | Less Than Three Months | Three Months to Six Months | Six Months to One Year |
|---|---|---|---|---|
| Federal Home Loan Bank Bonds | $6,958,403 | $0 | $0 | $6,958,403 |
| Federal Home Loan Mortgage Corporation Notes | 47,499,224 | 13,926,900 | 17,674,400 | 15,897,924 |
| Federal National Mortgage Association Notes | 9,815,040 | 3,472,930 | 0 | 6,342,110 |
| Mutual Funds | 45,953 | 45,953 | 0 | 0 |
| STAR Ohio | 587,150 | 587,150 | 0 | 0 |
| Total | $64,905,770 | $18,032,933 | $17,674,400 | $29,198,437 |

A significant portion of these investments are held by specific funds as presented below:

| | Building | Bond Retirement |
|---|---|---|
| Federal Home Loan Bank Bonds | $5,961,570 | $0 |
| Federal Home Loan Mortgage Corporation Notes | 36,428,720 | 4,185,664 |
| Federal National Mortgage Association Notes | 6,342,110 | 0 |
| Mutual Funds | 0 | 2,124 |
| STAR Ohio | 585,545 | 0 |

The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless matched to a specific obligation or debt of the Career Center. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

The investments in Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes, and Federal National Mortgage Association Notes carry a rating of AAA by Standard and Poor's. The money market mutual funds carry a rating of AAAm by Standard and Poor's. STAR Ohio carries a rating of AAA by Standard and Poor's. The Career Center has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The Career Center places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the Career Center's total portfolio.

| | Fair Value | Percentage of Portfolio |
|---|---|---|
| Federal Home Loan Bank Bonds | $6,958,403 | 10.72% |
| Federal Home Loan Mortgage Corporation Notes | 47,499,224 | 73.18 |
| Federal National Mortgage Association Notes | 9,815,040 | 15.12 |

## Note 6 - Receivables

Receivables at June 30, 2006, consisted of accounts (student fees and billings for user charged services), intergovernmental, accrued interest, interfund, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

| | Amount |
|---|---|
| Governmental Activities | |
| General Fund | |
| Reimbursement | $11,900 |
| Vocational Equipment | 3,207 |
| Total General Fund | 15,107 |

(continued)

| | Amount |
|---|---|
| Other Governmental Funds | |
| Lunchroom | $13,165 |
| Adult Education | 2,880 |
| Post Secondary Education | 2,733 |
| Career Education | 1,200 |
| Adult Basic Literacy Education | 2,472 |
| Perkins | 109,560 |
| Title V | 171 |
| Drug Free | 611 |
| Total Other Governmental Funds | 132,792 |
| Total Intergovernmental Receivables | $147,899 |

## Note 7 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the area served by the Career Center. Real property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. For fiscal year 2006, the settlements from Fulton and Lucas Counties were delayed beyond fiscal year end.

The Career Center receives property taxes from Fulton, Hancock, Henry, Lucas, Ottawa, Sandusky, and Wood 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, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2006, and for which there was 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 and the late personal property settlement were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006, was $658,865 in the General Fund and $295,478 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2005, was $638,797 in the General Fund and $300,338 in the Permanent Improvement capital projects fund.

The late tax settlements made by the Counties for fiscal year 2006 were $19,242 in the General Fund and $24,019 in the Permanent Improvement capital projects fund. The late tax settlements made by the Counties for fiscal year 2005 were $35,520 in the General Fund and $31,413 in the Permanent Improvement capital projects fund.

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

The assessed values upon which fiscal year 2006 taxes were collected are:

| | 2005 Second-Half Collections | | 2006 First-Half Collections | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Real | $4,636,401,400 | 85.69% | $5,079,891,180 | 87.24% |
| Public Utility | 245,550,110 | 4.54 | 309,852,330 | 5.32 |
| Tangible Personal | 528,930,342 | 9.77 | 433,222,217 | 7.44 |
| Total Assessed Value | $5,410,881,852 | 100.00% | $5,822,965,727 | 100.00% |
| Tax rate per $1,000 of assessed valuation | $3.20 | | $3.20 | |

## Note 8 - Payment in Lieu of Taxes

According to State law, the Career Center has entered into agreements with a number of property owners under which the Career Center has granted property tax abatements to those property owners. The property owners have agreed to make payments to the Career Center which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The payment is received annually either as an agreed upon flat amount per year or the amount of estimated taxes that would have been due in that fiscal year. Most of the agreements are for a ten year period. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

## Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

| | Balance at 6/30/05 | Additions | Reductions | Balance at 6/30/06 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Nondepreciable Capital Assets | | | | |
| Land | $4,755,313 | $0 | $0 | $4,755,313 |
| Construction in Progress | 3,801,079 | 11,019,588 | 0 | 14,820,667 |
| Total Nondepreciable Capital Assets | 8,556,392 | 11,019,588 | 0 | 19,575,980 |
| Depreciable Capital Assets | | | | |
| Land Improvements | 396,682 | 0 | 0 | 396,682 |
| Buildings and Building Improvements | 14,520,804 | 0 | 0 | 14,520,804 |
| Furniture, Fixtures, and Equipment | 2,941,378 | 95,836 | (36,781) | 3,000,433 |
| Vehicles | 877,440 | 105,463 | (11,085) | 971,818 |
| Total Depreciable Capital Assets | 18,736,304 | 201,299 | (47,866) | 18,889,737 |
| Less Accumulated Depreciation | | | | |
| Land Improvements | (310,212) | (21,869) | 0 | (332,081) |
| Buildings and Building Improvements | (9,765,059) | (503,406) | 0 | (10,268,465) |
| Furniture, Fixtures, and Equipment | (1,680,595) | (156,908) | 14,195 | (1,823,308) |
| Vehicles | (666,355) | (81,835) | 11,085 | (737,105) |
| Total Accumulated Depreciation | (12,422,221) | (764,018) | 25,280 | (13,160,959) |
| Depreciable Capital Assets, Net | 6,314,083 | (562,719) | (22,586) | 5,728,778 |
| Governmental Activities Capital Assets, Net | $14,870,475 | $10,456,869 | $(22,586) | $25,304,758 |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| Instruction: | |
| Regular | $25,900 |
| Special | 40,721 |
| Vocational | 487,291 |
| Adult/Continuing | 2,459 |
| Support Services: | |
| Pupils | 57,613 |
| Instructional Staff | 36,740 |
| Administration | 30,493 |
| Fiscal | 441 |
| Operation and Maintenance of Plant | 55,152 |
| Central | 305 |
| Noninstructional Services | 26,903 |
| Total Depreciation Expense | $764,018 |

## Note 10 - Interfund Assets/Liabilities

At June 30, 2006, the General Fund had an interfund receivable, in the amount of $123,419, from other governmental funds to provide cash flow resources until the receipt of grant monies.

The Permanent Improvement capital projects funds had an interfund receivable, in the amount of $21,192, from the General Fund for a short-term loan.

## Note 11 - Risk Management

The Career Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the Career Center contracted for the following insurance coverage.

| | |
|---|---|
| Coverage provided by Ohio School Plan is as follows: | |
| General Liability | |
| Per Occurrence | $1,000,000 |
| Aggregate | 3,000,000 |
| Excess Liability | 2,000,000 |
| Coverage provided by the Netherlands Insurance Company is as follows: | |
| Building | 44,432,304 |
| Coverage provided by the Midwestern Indemnity Company is as follows: | |
| Computer Equipment | 2,415,653 |
| Computer Software | 100,000 |
| Coverage provided by the Consolidated Insurance Company is as follows: | |
| Automobile Liability | 1,000,000 |
| Coverage provided by Great American Insurance Group is as follows: | |
| Builders Risk | 80,000,000 |

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

For fiscal year 2006, the Career Center participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The Career Center participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the Career Center by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

The Career Center participates in the Wood County Insurance Consortium (WCIC), a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, the Career Center, and an educational service center. The Career Center pays monthly premiums to the WCIC for employee medical and dental benefits. Upon withdrawal from the WCIC, a participant is responsible for the payment of all liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

## Note 12 - Contractual Obligations

As of June 30, 2006, the School District had contractual commitments as follows:

| Company | Project | Amount Remaining on Contract |
|---|---|---|
| Rudolph/Libbe | Construction Manager | $2,586,557 |
| Miller Brothers | Site Preparation | 44,680 |
| Miller Brothers | Sitework | 3,189,013 |
| Ohio Steel Industries | Steel | 5,635,254 |
| National Precast | Precast Concrete | 3,794,008 |
| Retzke Snyder | Electrical | 9,706,980 |
| Dimech Services | Plumbing | 3,030,945 |
| Border Fire Protection | Fire Alarm | 1,097,185 |
| Mosser Construction | General Trades | 19,502,788 |
| Hagerman Construction | Masonry | 5,587,144 |
| Gardner Construction | Concrete | 2,253,052 |
| TTL Associates | Soil Testing | 100,977 |
| Industrial Power Systems | Heating and Air Conditioning | 9,223,000 |
| Great Lakes Hotel Supply | Food Service Equipment | 1,385,185 |

## Note 13 - Defined Benefit Pension Plans

### A. State Teachers Retirement System

The Career Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the Career Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Career Center's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2006, 2005, and 2004 was $1,560,612, $1,531,435, and $1,440,588, respectively; 89 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were $12,141 made by the Career Center and $22,927 made by plan members.

**B. School Employees Retirement System**

The Career Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website, www.ohsers.org under forms and publications..

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the Career Center was required to contribute an actuarially determined rate. The rate for fiscal year 2006 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Career Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 was $225,665, $252,246, and $189,293, respectively; 87 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2006, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 14 - Postemployment Benefits**

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the Career Center, this amount was $120,981.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. For the Career Center, the amount to fund health care benefits, including the surcharge, was \$120,345 for fiscal year 2006.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006, were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

## Note 15 - Other Employee Benefits

### A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred eighty-five days for all employees. Upon retirement, with ten consecutive years of service with the Career Center, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of seventy-one and one-fourth days for teachers, if retirement is during the school year. If the effective date of retirement is not during the school year, payment is made for 26 percent of accrued, but unused sick leave credit to a maximum of seventy-four and one-tenth days for teachers.

Upon retirement, all employees are entitled to one-fourth of accrued, but unused sick leave credit to a maximum of seventy-one and one-quarter days.

### B. Health Care Benefits

The Career Center offers employee medical and dental benefits through the Wood County Insurance Consortium. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on the terms of the union contract. The Career Center provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource. Vision coverage is provided through Vision Service Plan.

## C. Separation Benefits

The Career Center provides a separation benefit to eligible certified employees. A full-time employee eligible to retire under the provisions of the State Teachers Retirement System that has ten years of service with the Career Center will be paid $1,500 if notification of pending retirement is submitted in writing to the Superintendent no later than March 1 for retirement effective at the end of the current school year or prior to the following school year.

## Note 16 - Notes Payable

The Career Center issued Capital Facility tax anticipation notes to construct a new campus, in the amount of $15,000,000. The tax anticipation notes were issued on March 2, 2006, with an interest rate of 4.25 percent, for one year. The notes will be paid with property tax revenues received in the Permanent Improvement capital projects fund.

## Note 17 - Long-Term Obligations

Changes in the Career Center's long-term obligations during fiscal year 2006 were as follows:

| | Balance at 6/30/05 | Additions | Reductions | Balance at 6/30/06 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| General Long-Term Obligations | | | | | |
| 2002 Land Acquisition Bonds 2.5 - 5.25% | $2,615,000 | $0 | $330,000 | $2,285,000 | $340,000 |
| 2004 Certificates of Participation 1.4 - 5% | 63,865,000 | 0 | 1,205,000 | 62,660,000 | 1,220,000 |
| Premium on Certificates of Participation | 893,604 | 0 | 16,994 | 876,610 | 0 |
| Total General Long-Term Obligations | 67,373,604 | 0 | 1,551,994 | 65,821,610 | 1,560,000 |
| Compensated Absences Payable | 2,485,249 | 220,141 | 114,093 | 2,591,297 | 198,507 |
| Total Governmental Activities Long-Term Obligations | $69,858,853 | $220,141 | $1,666,087 | $68,412,907 | $1,758,507 |

Land Acquisition General Obligation Bonds - In fiscal year 2002, the Career Center issued $3,500,000 in unvoted general obligation bonds to acquire land. The bonds were issued for a ten year period, with final maturity on December 1, 2011. The bonds are being retired from the Permanent Improvement capital projects fund, with transfers from the General Fund.

Certificates of Participation - On March 1, 2004, the Career Center entered into a lease agreement with the Agricultural Incubator Foundation for constructing, equipping, and furnishing a new campus facility. The Agricultural Incubator Foundation entered into an agreement with a trustee through which it assigned and transferred its rights, title, and interest under the lease to Huntington Bank as Trustee. The Trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semiannual lease payments. Proceeds from the issuance of the Certificates will be used to construct the new campus.

Terms of the trust indenture required a portion of the proceeds to be set aside for certificate payments equal to the amount due in the first fiscal year. The current certificate payment account is used to account for resources accumulated for payment over the next twelve months. The reserve account is used solely to make rent payments if a deficiency exists in the current certificate payment account and, if all payments are current, to make payment of the last certificate payment.

The obligation of the Career Center under the lease and any subsequent lease renewal is subject to the annual appropriation of the rental payments. Legal title to the facilities remains with the trustee until all payments required under the lease have been made. At that time, title will be transferred to the Career Center. In the event the Career Center defaults on the lease, after thirty days the lessor may lease the campus to a new tenant. Under terms of the lease agreement, the Career Center may not lease, acquire, or allocate funds to acquire functionally similar facilities for thirty days after default. The lease obligation will be paid from a one mill permanent improvement property tax levy.

The Certificates of Participation are not a general obligation of the Career Center and are payable only from appropriations by the Career Center for annual lease payments.

At June 30, 2006, the total amount of these proceeds expended for governmental construction was $15,070,296.

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

The Career Center's overall debt margin was $455,210,091 with an unvoted debt margin of $2,798,279 at June 30, 2006.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2006, were as follows:

| | Land Acquisition Bonds | | Certificates of Participation | |
|---|---|---|---|---|
| Fiscal Year Ending | Principal | Interest | Principal | Interest |
| 2007 | $340,000 | $96,348 | $1,220,000 | $2,792,756 |
| 2008 | 355,000 | 81,656 | 1,250,000 | 2,765,306 |
| 2009 | 370,000 | 64,223 | 1,300,000 | 2,715,306 |
| 2010 | 390,000 | 45,930 | 1,330,000 | 2,684,431 |
| 2011 | 405,000 | 28,238 | 1,395,000 | 2,617,931 |
| 2012-2016 | 425,000 | 9,562 | 7,810,000 | 12,255,169 |
| 2017-2021 | 0 | 0 | 9,720,000 | 10,348,138 |
| 2022-2026 | 0 | 0 | 12,225,000 | 7,850,900 |
| 2027-2031 | 0 | 0 | 15,375,000 | 4,699,437 |
| 2032-2034 | 0 | 0 | 11,035,000 | 1,007,550 |
| Totals | $2,285,000 | $325,957 | $62,660,000 | $49,736,924 |

## Note 18 - Set Asides

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2006.

| | Textbooks | Capital Improvements |
|---|---|---|
| Balance June 30, 2005 | $0 | $0 |
| Current Year Set Aside Requirement | 259,348 | 259,348 |
| Qualifying Expenditures | (259,348) | (211,238) |
| Current Year Offsets | 0 | (48,110) |
| Balance June 30, 2006 | $0 | $0 |

The Career Center limited qualifying expenditures during the fiscal year to the amount needed to reduce the setaside amount to zero. Although the Career Center had additional qualifying expenditures, the Career Center did not want to use this amount to reduce the set aside requirement of future fiscal years.

## Note 19 - Interfund Transfers

During fiscal year 2006, the General Fund made transfers to the Permanent Improvement capital projects fund, in the amount of $1,250,000, to pay principal on the land acquisition general obligation bonds and to set aside resources for the construction of a new campus. The General Fund also made transfers to other governmental funds, in the amount of $163,216, to subsidize the operations of food service and adult education.

The Permanent Improvement capital projects fund made transfers to the Bond Retirement debt service fund and the Building capital projects fund, in the amount of $4,015,831 and $4,236,924, respectively. to pay principal and interest on the certificates of participation and pay on the Career Center's share of the construction costs.

## Note 20 - Jointly Governed Organizations

### A. Northwest Ohio Computer Association

The Career Center is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The NWOCA Assembly consists of a superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2006, the Career Center paid $45,225 to NWOCA for various services. Financial information can be obtained from the Northern Buckeye Education Council, 22-900 State Route 34, Archbold, Ohio 43502.

### B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 22-900 State Route 34, Archbold, Ohio 43502.

## Note 21 - Insurance Pools

### A. Ohio School Plan

The Career Center participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Financial information can be obtained from the Hylant Group, Inc., 811 Madison Avenue, 11th Floor, Toledo, Ohio 43603.

**B. Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan**

The Career Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The OASBO Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**C. Wood County Insurance Consortium**

The Wood County Insurance Consortium (WCIC) is a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, the Career Center, and an educational service center. WCIC is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the WCIC.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the WCIC is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information may be obtained from Medical Mutual of Ohio, 3737 Sylvania Avenue, Toledo, Ohio 43623.

## Note 22 - Contingencies

**A. Grants**

The Career Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Career Center at June 30, 2006.

**B. Litigation**

There are currently no matters in litigation with the Career Center as defendant.

**Penta Career Center**

*Schedule of Revenues, Expenditures, and Changes in Fund Balance*

*Budget and Actual (Non-GAAP Budgetary Basis)*

*General Fund*

*For the Fiscal Year Ended June 30, 2006*

| | Budgeted Amounts | | | Variance with Final Budget Over |
|---|---|---|---|---|
| | Original | Final | Actual | (Under) |
| **Revenues** | | | | |
| Property Taxes | $9,718,386 | $10,318,557 | $10,381,179 | $62,622 |
| Payment in Lieu of Taxes | 140,000 | 124,116 | 125,003 | 887 |
| Intergovernmental | 12,734,201 | 12,759,511 | 12,463,790 | (295,721) |
| Interest | 200,000 | 200,000 | 171,310 | (28,690) |
| Tuition and Fees | 0 | 556 | 176,935 | 176,379 |
| Charges for Services | 343,920 | 387,929 | 354,599 | (33,330) |
| Extracurricular Activities | 15,400 | 15,400 | 16,359 | 959 |
| Gifts and Donations | 1,000 | 36,245 | 38,914 | 2,669 |
| Miscellaneous | 26,900 | 26,900 | 15,196 | (11,704) |
| *Total Revenues* | 23,179,807 | 23,869,214 | 23,743,285 | (125,929) |
| **Expenditures** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 395 | 3,231 | 81,063 | (77,832) |
| Special | 990,444 | 1,006,647 | 1,036,757 | (30,110) |
| Vocational | 11,813,362 | 12,596,951 | 12,853,898 | (256,947) |
| Adult/Continuing | 684 | 147,473 | 148,952 | (1,479) |
| Support Services: | | | | |
| Pupils | 1,918,246 | 1,906,846 | 1,919,818 | (12,972) |
| Instructional Staff | 1,742,529 | 1,751,896 | 2,013,664 | (261,768) |
| Board of Education | 84,608 | 84,608 | 74,396 | 10,212 |
| Administration | 1,687,311 | 1,190,101 | 1,082,050 | 108,051 |
| Fiscal | 546,913 | 546,913 | 533,331 | 13,582 |
| Operation and Maintenance of Plant | 2,946,204 | 2,858,656 | 2,428,314 | 430,342 |
| Central | 335,879 | 381,654 | 325,217 | 56,437 |
| Noninstructional Services | 297,329 | 315,829 | 307,764 | 8,065 |
| Extracurricular Activities | 132,181 | 132,181 | 89,979 | 42,202 |
| *Total Expenditures* | 22,496,085 | 22,922,986 | 22,895,203 | 27,783 |
| *Excess of Revenues Over Expenditures* | 683,722 | 946,228 | 848,082 | (98,146) |
| **Other Financing Sources (Uses)** | | | | |
| Other Financing Uses | (200,000) | (200,000) | 0 | 200,000 |
| Advances In | 150,100 | 150,100 | 182,182 | 32,082 |
| Advances Out | (175,000) | (183,990) | (164,924) | 19,066 |
| Transfers Out | (250,000) | (1,750,000) | (1,413,216) | 336,784 |
| *Total Other Financing Sources (Uses)* | (474,900) | (1,983,890) | (1,395,958) | 587,932 |
| *Changes in Fund Balance* | 208,822 | (1,037,662) | (547,876) | 489,786 |
| *Fund Balance at Beginning of Year* | 2,880,183 | 2,880,183 | 2,880,183 | 0 |
| *Prior Year Encumbrances Appropriated* | 601,045 | 601,045 | 601,045 | 0 |
| *Fund Balance at End of Year* | $3,690,050 | $2,443,566 | $2,933,352 | $489,786 |

See accompanying notes to this schedule

**Penta Career Center**
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis) (continued)
General Fund
For the Fiscal Year Ended June 30, 2006

**Notes:**

While the Career Center is reporting financial position, results of operations, and changes in fund balances 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 and Actual (Non-GAAP Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are 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 liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

| | Changes in Fund Balance |
|---|---|
| GAAP Basis | $704,587 |
| Increase (Decrease) Due To: | |
| Revenue Accruals: | |
| Accrued FY 2005, Received in Cash FY 2006 | 706,534 |
| Accrued FY 2006, Not Yet Received in Cash | (680,456) |
| Expenditure Accruals: | |
| Accrued FY 2005, Paid in Cash FY 2006 | (2,407,898) |
| Accrued FY 2006, Not Yet Paid in Cash | 2,055,110 |
| Cash on Hand at Beginning of Year | 112 |
| Change in Fair Value | |
| Beginning of Year | 69,364 |
| End of Year | (169,017) |
| Prepaid Items | 2,916 |
| Advances In | 182,182 |
| Advances Out | (164,924) |
| Encumbrances Outstanding at Fiscal Year End (Budget Basis) | (846,386) |
| Budget Basis | ($547,876) |

PENTA CAREER CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

| Federal Grantor/ Pass – Through Grantor/ Program Title | Grantor Number | CFDA Number | Award Amount | Receipts | Expenditures |
|---|---|---|---|---|---|
| **U.S. DEPARTMENT OF EDUCATION** | | | | | |
| Pell Grant | 1340946365AI | 84.063 | $113,293 | $113,293 | $113,293 |
| Supplemental Education Opportunity Grant | | 84.007 | 5,107 | 5,107 | 5,107 |
| *Pass through Ohio Department of Education* | | | | | |
| VEA-II Funds (Secondary) | CP II-S06 | 84.048 | 430,161 | 282,999 | 394,817 |
| VEA-II Funds (Adult) | CP II-A06 | 84.048 | 58,460 | 58,460 | 57,650 |
| VEA-II Funds (Secondary) | CP II-S05 | 84.048 | 400,960 | 103,672 | 0 |
| VEA-II Funds (Adult) | CP II-A05 | 84.048 | 52,911 | 3,920 | 0 |
| VEA-II Funds (Critical Transitions) | VECT-2006-6 | 84.048 | 20,000 | 10,000 | 19,144 |
| | | | 962,492 | 459,051 | 471,611 |
| Adult Basic Education – FY 2006 | AB-S1-06 | 84.002 | 107,977 | 111,484 | 107,977 |
| Adult Basic Education – FY 2005 | AB-S1-05 | 84.002 | 112,694 | 7,959 | 0 |
| Adult Basic Education – FY 2005 Carryover | AB-S1-05C | 84.002 | 4,711 | 4,711 | 4,711 |
| | | | 225,382 | 124,154 | 112,688 |
| Title IV-A – Safe and Drug Free Schools | 051359-DRS1-2006 | 84.186 | 6,791 | 6,180 | 6,791 |
| Title IV-A – Safe and Drug Free Schools | 051359-DRS1-2005 | 84.186 | 8,448 | 3,165 | 0 |
| | | | 15,239 | 9,345 | 6,791 |
| Title V – Innovative Education | 051359-C2S1-2006 | 84.298 | 9,288 | 9,117 | 9,288 |
| Title V – Innovative Education | 051359-C2S1-2005 | 84.298 | 7,566 | 2,853 | 0 |
| | | | 16,854 | 11,970 | 9,288 |
| Title II-A – Improving Teacher Quality | 051359-TRS1-2006 | 84.367 | 10,867 | 10,867 | 10,867 |
| TOTAL DEPARTMENT OF EDUCATION | | | 1,349,234 | 733,787 | 729,645 |
| **U.S. DEPARTMENT OF AGRICULTURE** | | | | | |
| *Pass through Ohio Department of Education* | | | | | |
| Food Distribution Program | Nutrition Cluster | 10.550 | 33,404 | 33,404 | 33,404 |
| National School Breakfast Program | Nutrition Cluster | 10.553 | 12,267 | 12,267 | 12,267 |
| National School Lunch Program | Nutrition Cluster | 10.555 | 84,589 | 84,589 | 84,589 |
| TOTAL DEPARTMENT OF AGRICULTURE | | | 130,260 | 130,260 | 130,260 |
| TOTAL RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS | | | $1,479,494 | $864,047 | $859,905 |

**NOTE – Food Distribution**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first.

# INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Penta Career Center
30095 Oregon Road
Perrysburg, OH 43551

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Penta Career Center ("Career Center"), as of and for the year ended June 30, 2006, which collectively comprise the Career Center's basic financial statements and have issued our report thereon dated January 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Career Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Career Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Career Center in a separate letter dated January 10, 2007.



5580 Monroe Street | Sylvania, OH 43560 | *p* 419 885 8338 | *f* 419 885 8182 | www.weberobrien.com

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

Wilson, Phillips, Wells, Brian Ltd

January 10, 2007

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

Board of Education
Penta Career Center
30095 Oregon Road
Perrysburg, OH 43551

## Compliance

We have audited the compliance of Penta Career Center ("Career Center"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Career Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Career Center's management. Our responsibility is to express an opinion on the Career Center's compliance based on our audit.

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

In our opinion, the Career Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

## Internal Control Over Compliance

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



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Board of Education
Page Two

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

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

January 10, 2007

PENTA CAREER CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

## SECTION I – SUMMARY OF AUDITORS' RESULTS

### Financial Statements

| | | |
|---|---|---|
| Type of auditors' report issued: | | Unqualified |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | ____ yes | X no |
| Reportable condition(s) identified not considered to be material weaknesses? | ____ yes | X none reported |
| Noncompliance material to financial statements noted? | ____ yes | X no |

### Federal Awards

| | | |
|---|---|---|
| Internal Control over major programs: | | |
| Material weakness(es) identified? | ____ yes | X no |
| Reportable conditions(s) identified not considered to be material weaknesses? | ____ yes | X none reported |
| Type of auditors' report issued on compliance for major programs: | | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? | ____ yes | X no |

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 84.048 | Vocational Education Basic Grant |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | | $300,000 |
| Auditee qualified as low risk auditee? | X yes | ____ No |

## SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

## SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

PENTA CAREER CENTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2006

NONE

Mary Taylor, CPA
Auditor of State

**PENTA CAREER CENTER**

**WOOD 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**
**MAY 10, 2007**

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