



**Auditor of State
Betty Montgomery**

**EHOVE CAREER CENTER
ERIE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

EHOVE Career Center
Erie County
316 Mason Road West
Milan, Ohio 44846-9771

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the EHOVE Career Center, Erie County, (the Career Center) as of and for the year ended June 30, 2003, which collectively comprise the District'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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Career Center, as of June 30, 2003, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and Adult Education Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the basic financial statements, the Career Center adopted Governmental Accounting Standards Board Statement 34 as of and for the year ended June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is 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. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

October 31, 2003

**EHOVE CAREER CENTER
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

The discussion and analysis of the EHOVE Career Center (the Career Center) financial performance provides an overall review of the Career Center's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the Career Center's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Career Center's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities decreased \$423,864 which represents a 5.35 percent decrease from 2002.
- General revenues accounted for \$10,442,776 in revenue or 68.81 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,732,722 or 31.19 percent of total revenues of \$15,175,498.
- The Career Center had \$15,599,362 in expenses related to governmental activities; only \$4,732,722 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,442,776 were not adequate to provide for these programs.
- The Career Center has two major governmental funds; the general fund and the adult education fund. The general fund had \$10,499,945 in revenues and \$10,462,537 in expenditures. During fiscal 2003, the general fund's fund balance decreased \$49,035 from \$5,144,472 to \$5,095,437. The adult education fund had \$2,462,277 in revenues and \$2,640,772 in expenditures. During fiscal 2003, the adult education fund's fund balance decreased \$91,838 from \$212,346 to \$120,508.

Using the Basic Financial Statements

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole Career Center, presenting both an aggregate view of the Career Center's finances

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Career Center's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Career Center, the general fund and the adult education fund are by far the most significant funds, and are the only governmental funds reported as major funds.

Reporting the Career Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Career Center to provide programs and activities, the view of the Career Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Career Center's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Career Center as a whole, the *financial position* of the Career Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Career Center's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

Reporting the Career Center's Most Significant Funds

Fund Financial Statements

The analysis of the Career Center's major governmental funds begins on page 9. Fund financial reports provide detailed information about the Career Center's major funds. The Career Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Career Center's most significant funds. The Career Center's two major governmental funds are the general fund and the adult education fund.

**EHOVE CAREER CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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Governmental Funds

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

Reporting the Career Center's Fiduciary Responsibilities

The Career Center acts in a trustee capacity as an agent for individuals and other governments or organizations. These activities are reported in agency funds. All of the Career Center's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 22. These activities are excluded from the Career Center's other financial statements because the assets cannot be utilized by the Career Center to finance its operations.

The Career Center as a Whole

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

The table below provides a summary of the Career Center's net assets for 2003.

**EHOVE CAREER CENTER
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

	<u>Net Assets</u> Governmental Activities 2003
<u>Assets</u>	
Current and other assets	\$ 11,590,350
Capital assets	<u>2,580,572</u>
Total assets	<u>14,170,922</u>
<u>Liabilities</u>	
Current liabilities	6,097,986
Long-term liabilities	<u>572,508</u>
Total liabilities	<u>6,670,494</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	2,548,395
Restricted for set-asides	48,764
Restricted for other purposes	14,043
Unrestricted	<u>4,889,226</u>
Total net assets	<u>\$ 7,500,428</u>

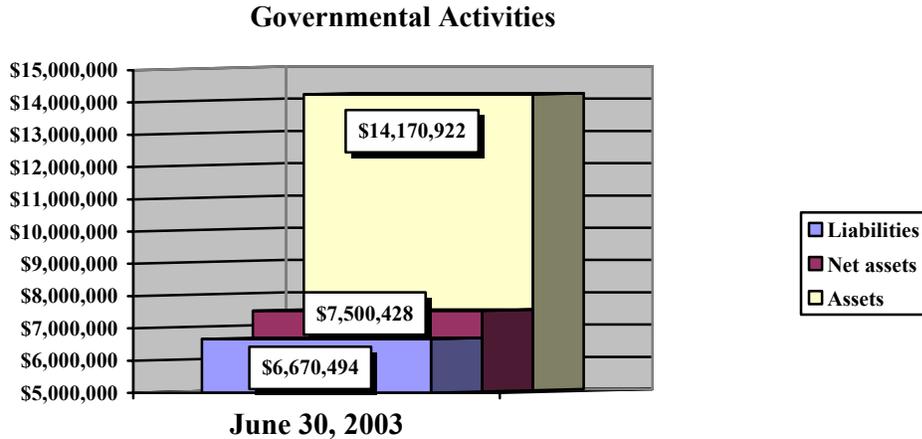
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the Career Center's assets exceeded liabilities by \$7,500,428. Of this total, \$4,889,226 is unrestricted in use.

At year-end, capital assets represented 18.21 percent of total assets. Capital assets include land, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2003, were \$2,548,395. These capital assets are used to provide services to the students and are not available for future spending. Although the Career Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities, the Career Center had no bonded debt outstanding at June 30, 2003; however, the Career Center did have capital lease obligations outstanding at June 30, 2003.

A portion of the Career Center's net assets, \$62,807, represents resources that are subject to external restrictions on how they may be used. The remaining Career Center's net assets, \$4,889,226 are unrestricted net assets and may be used to meet the Career Center's ongoing obligations to the students and creditors.

**EHOVE CAREER CENTER
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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The table below shows the change in net assets for fiscal year 2003. Since this is the first year the Career Center has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

	Change in Net Assets Governmental Activities <u>2003</u>
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 2,198,503
Operating grants and contributions	2,534,219
Capital grants and contributions	-
General revenues:	
Property taxes	5,413,097
Grants and entitlements	4,822,313
Investment earnings	119,652
Miscellaneous	82,807
Gain on sale of capital assets	<u>4,907</u>
Total revenues	<u>15,175,498</u>

(Continued)

**EHOVE CAREER CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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	Change in Net Assets
	Governmental Activities <u>2003</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	577,857
Special	474,478
Vocational	5,427,211
Adult continuing education	3,436,027
Support services:	
Pupil	866,844
Instructional staff	159,885
Board of education	34,756
Administration	1,607,941
Fiscal	406,013
Business	183,958
Operations and maintenance	1,521,252
Pupil transportation	19,428
Central	616,885
Operation of non-instructional services	300
Food service operations	258,362
Interest and fiscal charges	<u>8,165</u>
 Total expenses	 <u>15,599,362</u>
 Decrease in net assets	 <u>\$ (423,864)</u>

**EHOVE CAREER CENTER
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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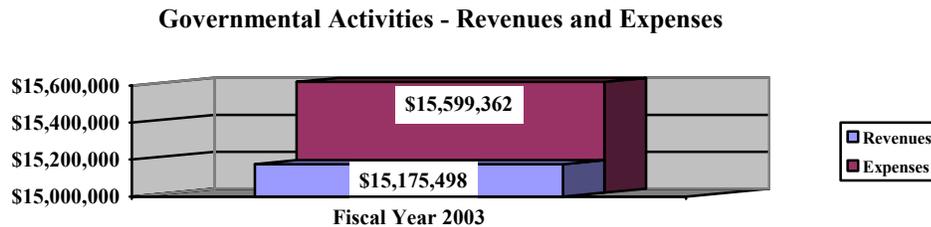
The decrease in net assets is primarily due to an overall increase in expenses with relatively flat revenues. The primary area of increase was in vocational instruction activities which accounted for 34.79 percent of total governmental expenses in fiscal 2003. Vocational expense is the predominant expense line item of the Career Center's general fund.

Governmental Activities

Net assets of the Career Center's governmental activities decreased by \$423,864. Total governmental expenses of \$15,599,362 were offset by program revenues of \$4,732,722 and general revenues of \$10,442,776. Program revenues supported 30.33 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These two revenue sources represent 67.44 percent of total governmental revenue.

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



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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Governmental Activities

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program expenses		
Instruction:		
Regular	\$ 577,857	\$ 577,857
Special	474,478	453,139
Vocational	5,427,211	5,190,355
Adult continuing education	3,436,027	(338,204)
Support services:		
Pupil	866,844	519,325
Instructional staff	159,885	146,365
Board of education	34,756	34,756
Administration	1,607,941	1,521,637
Fiscal	406,013	401,013
Business	183,958	183,958
Operations and maintenance	1,521,252	1,521,252
Pupil transportation	19,428	19,428
Central	616,885	583,820
Operation of non-instructional services	300	300
Food service operations	258,362	43,474
Interest and fiscal charges	<u>8,165</u>	<u>8,165</u>
Total expenses	<u>\$ 15,599,362</u>	<u>\$ 10,866,640</u>

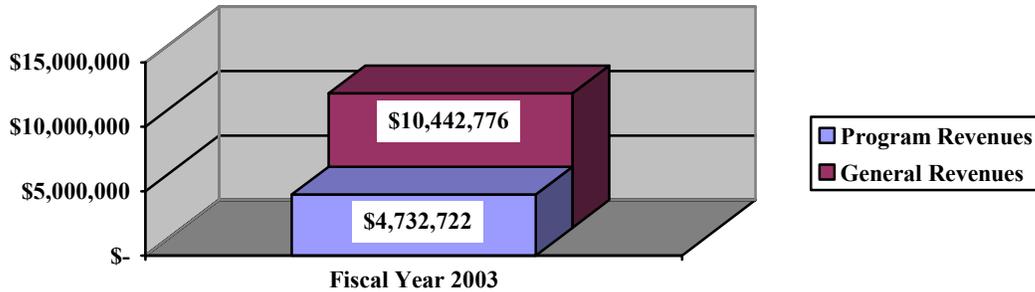
The dependence upon tax and other general revenues for governmental activities is apparent, 59.33 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 69.66 percent. The Career Center's taxpayers, as a whole, are the primary support for Career Center's students.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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Governmental Activities - General and Program Revenues



The Career Center's Funds

The Career Center's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$5,154,870, which is lower than last year's total of \$5,290,620. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

	<u>Fund Balance</u> <u>June 30, 2002</u>	<u>Fund Balance</u> <u>June 30, 2003</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 5,144,472	\$ 5,095,437	\$ (49,035)
Adult continuing education	212,346	120,508	(91,838)
Other governmental	<u>(66,198)</u>	<u>(61,075)</u>	<u>5,123</u>
Total	<u>\$ 5,290,620</u>	<u>\$ 5,154,870</u>	<u>\$ (135,750)</u>

General Fund

The Career Center's general fund balance decreased by \$49,035, from \$5,144,472 to \$5,095,437. The decrease in fund balance can be attributed to transfers out to other governmental funds. The table that follows assists in illustrating the fiscal year revenues and expenses of the general fund.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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	<u>2003 Amount</u>
<u>Revenues</u>	
Taxes	\$ 5,479,081
Tuition and fees	11,380
Earnings on investments	119,149
Intergovernmental	4,822,313
Other	<u>68,022</u>
Total	<u>\$ 10,499,945</u>
 <u>Expenditures</u>	
Instruction	\$ 5,930,366
Support services	4,330,673
Facilities acquisition and construction	66,088
Capital outly	20,472
Debt service	<u>114,938</u>
Total	<u>\$ 10,462,537</u>

Adult Education Fund

The Career Center's adult education fund balance decreased by \$91,838, from \$212,346 to \$120,508. The decrease in fund balance can be attributed to an increase in adult continuing education expenses. The table that follows assists in illustrating the fiscal year revenues and expenses of the adult education fund.

	<u>2003 Amount</u>
<u>Revenues</u>	
Tuition and fees	\$ 1,781,881
Intergovernmental	567,227
Other	<u>113,169</u>
Total	<u>\$ 2,462,277</u>

(Continued)

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ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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	<u>2003</u> <u>Amount</u>
<u>Expenditures</u>	
Instruction	\$ 2,060,646
Support services	542,214
Capital outly	28,195
Debt service	<u>9,717</u>
Total	<u>\$ 2,640,772</u>

General Fund Budgeting Highlights

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

During the course of fiscal 2003, the Career Center amended its general fund budget. For the general fund, final budgeted revenues and other financing sources were \$10,200,100, which approximates the original budgeted revenues and other financing sources estimate of \$10,190,000. Actual revenues and other financing sources for fiscal 2003 was \$10,671,957. This represents a \$471,857 increase over the final budgeted amounts. This increase is primarily due to conservative tax and intergovernmental estimates in the original and final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$10,667,390 were increased to \$10,927,797 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2003 totaled \$10,821,988, which was \$105,809 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the Career Center had \$2,580,572 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2003 balances compared to 2002:

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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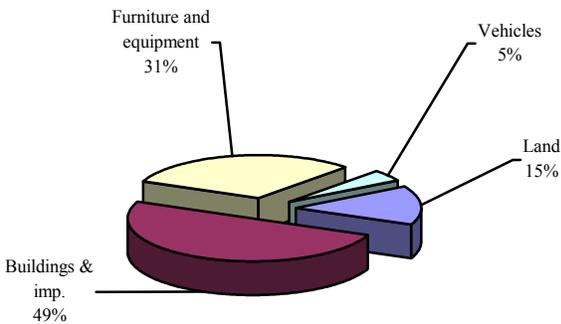
**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Land	\$ 378,920	\$ 378,920
Buildings and improvements	1,287,996	1,379,800
Furniture and equipment	795,584	931,073
Vehicles	118,072	76,570
Total	<u>\$ 2,580,572</u>	<u>\$ 2,766,363</u>

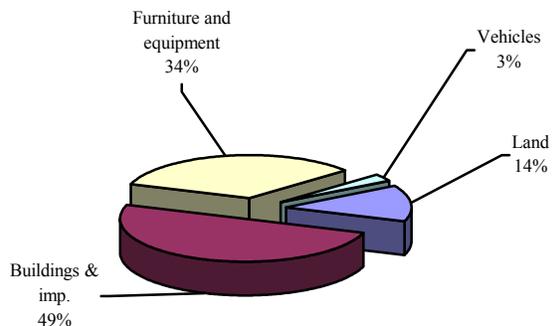
The overall decrease in the Career Center's capital assets was due primarily to the depreciation expense and the sale of furniture and equipment. The Career Center also acquired \$48,690 in new vehicles during fiscal 2003 and reported \$48,667 in equipment acquired through capital lease. Total additions to capital assets for 2003 were \$281,487 and total disposals were \$179,959. The overall decrease in capital assets of \$185,791 is primarily due to the recording of \$450,296 in depreciation expense for fiscal 2003.

The graphs below present the Career Center's capital assets for fiscal 2003 and fiscal 2002.

**Capital Assets - Governmental Activities
2003**



**Capital Assets - Governmental Activities
2002**



**EHOVE CAREER CENTER
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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Debt Administration

At June 30, 2003, the Career Center had no bonded debt outstanding. During fiscal 2003, the Career Center retired the energy conservation loan it had outstanding at June 30, 2002 and entered into capital lease agreements. The remaining liability associated with the capital lease obligations was \$32,177 at June 30, 2003.

Current Financial Related Activities

Overall, the Career Center is strong financially. As the preceding information shows, the Career Center relies heavily upon grants and entitlements, and property taxes. An increase in property tax revenue is expected in fiscal year 2004 due to the increased tax valuation caused by the triennial valuation update. This additional tax revenue, along with the Career Center's cash balance, will provide the Career Center with the necessary funds to meet its operating expenses in fiscal year 2004.

The Career Center is faced with the renewal of the Career Center's ½ mill tax levy in November of 2003. The Career Center currently has sufficient cash balance to meet operating expenses through fiscal year 2004. The tax levy generated approximately \$750,000 in fiscal year 2003. If the tax is not renewed in 2003, the Career Center will have to make cuts in operating expenditures to make up this shortfall as the cash balance will shrink quickly with the loss of these monies in fiscal year 2004. The Career Center will have the ability to place the tax issue on the ballot twice in 2004.

The Career Center will also be placing a ½ mill bond issue on the November 2003 ballot. The bond issue would generate \$15,000,000 and be paid off in 18 years. The bond proceeds would be used to renovate existing classrooms, expand the current parking lot, add additional classrooms for academic programs, and increase classroom space for the expanding Adult Education program which is seriously out of space.

Another challenge facing the Career Center is the continuing increase in enrollment in new programs in both the High School and the Adult Education departments. The passage of the bond issue will allow the district to continue this growth. Non-passage of the bond issue would force the district to discontinue the service now currently enjoyed by the surrounding communities and businesses.

The last challenge facing the Career Center is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school Career Centers with little property tax wealth. On

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

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

These financial statements represent the continued effort to keep our residents informed of the excellent use of their tax dollars for the vocational training needed by our students and requested by our business partners.

Contacting the Career Center's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the Career Center's finances and to show the Career Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Larry Hanneman, Treasurer, EHOVE Career Center, 316 Mason Road West, Milan, Ohio 44846-9771.

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**STATEMENT OF NET ASSETS
JUNE 30, 2003**

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 5,590,829
Receivables:	
Taxes	5,638,916
Accounts	27,315
Intergovernmental	229,883
Accrued interest	222
Prepayments	28,415
Materials and supplies inventory	74,770
Capital assets:	
Land	378,920
Depreciable capital assets, net	<u>2,201,652</u>
Total capital assets	<u>2,580,572</u>
Total assets	<u>14,170,922</u>
Liabilities:	
Accounts payable	99,437
Accrued wages and benefits	885,976
Pension obligation payable	201,417
Intergovernmental payable	41,878
Deferred revenue	4,869,278
Long-term liabilities:	
Due within one year	47,270
Due within more than one year	<u>525,238</u>
Total liabilities	<u>6,670,494</u>
Net Assets:	
Invested in capital assets, net of related debt	2,548,395
Restricted for set-asides	48,764
Restricted for other purposes	14,043
Unrestricted	<u>4,889,226</u>
Total net assets	<u><u>\$ 7,500,428</u></u>

See accompanying notes to the basic financial statements.

**EHOVE CAREER CENTER
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**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 577,857	\$ -	\$ -	\$ -	\$ (577,857)
Special	474,478	-	21,339	-	(453,139)
Vocational	5,427,211	155,788	81,068	-	(5,190,355)
Adult continuing education	3,436,027	1,863,599	1,910,632	-	338,204
Support services:					
Pupil	866,844	-	347,519	-	(519,325)
Instructional staff	159,885	-	13,520	-	(146,365)
Board of education	34,756	-	-	-	(34,756)
Administration	1,607,941	-	86,304	-	(1,521,637)
Fiscal	406,013	-	5,000	-	(401,013)
Business	183,958	-	-	-	(183,958)
Operations and maintenance	1,521,252	-	-	-	(1,521,252)
Pupil transportation	19,428	-	-	-	(19,428)
Central	616,885	-	33,065	-	(583,820)
Operation of non-instructional services	300	-	-	-	(300)
Food service operations	258,362	179,116	35,772	-	(43,474)
Interest and fiscal charges	8,165	-	-	-	(8,165)
Total governmental activities	<u>\$ 15,599,362</u>	<u>\$ 2,198,503</u>	<u>\$ 2,534,219</u>	<u>\$ -</u>	<u>(10,866,640)</u>
General Revenues:					
Property taxes levied for:					
					5,413,097
					4,822,313
					119,652
					4,907
					82,807
Total general revenues					<u>10,442,776</u>
Change in net assets					(423,864)
Net assets at beginning of year					<u>7,924,292</u>
Net assets at end of year					<u>\$ 7,500,428</u>

See accompanying notes to the basic financial statements.

**EHOVE CAREER CENTER
ERIE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003**

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 5,365,861	\$ 67,845	\$ 108,359	\$ 5,542,065
Receivables:				
Taxes	5,638,916	-	-	5,638,916
Accounts	1,066	19,096	7,153	27,315
Intergovernmental	2,217	52,626	175,040	229,883
Accrued interest	222	-	-	222
Interfund loans	167,989	-	-	167,989
Prepayments	16,719	10,761	935	28,415
Materials and supplies inventory	17,224	52,755	2,861	72,840
Due from other funds	-	9,201	-	9,201
Restricted assets:				
Equity in pooled cash and investments	48,764	-	-	48,764
Total assets	<u>\$ 11,258,978</u>	<u>\$ 212,284</u>	<u>\$ 294,348</u>	<u>\$ 11,765,610</u>
Liabilities:				
Accounts payable	\$ 37,192	\$ 4,572	\$ 57,673	\$ 99,437
Accrued wages and benefits	793,439	57,533	35,005	885,977
Compensated absences payable	30,674	-	-	30,674
Pension obligation payable	168,491	8,055	5,344	181,890
Intergovernmental payable	22,493	13,272	6,112	41,877
Interfund loan payable	-	-	167,989	167,989
Due to other funds	5,891	-	3,310	9,201
Deferred revenue	5,105,361	8,344	79,990	5,193,695
Total liabilities	<u>6,163,541</u>	<u>91,776</u>	<u>355,423</u>	<u>6,610,740</u>
Fund Balances:				
Reserved for encumbrances	102,406	14,154	10,042	126,602
Reserved for budget stabilization	48,764	-	-	48,764
Reserved for materials and supplies inventory	17,224	52,755	2,861	72,840
Reserved for property tax unavailable for appropriation	547,777	-	-	547,777
Reserved for unclaimed monies	5,551	-	-	5,551
Reserved for prepayments	16,719	10,761	935	28,415
Unreserved, undesignated, reported in:				
General fund	4,356,996	-	-	4,356,996
Special revenue funds	-	42,838	(74,913)	(32,075)
Total fund balances	<u>5,095,437</u>	<u>120,508</u>	<u>(61,075)</u>	<u>5,154,870</u>
Total liabilities and fund balances	<u>\$ 11,258,978</u>	<u>\$ 212,284</u>	<u>\$ 294,348</u>	<u>\$ 11,765,610</u>

See accompanying notes to the basic financial statements.

**EHOVE CAREER CENTER
ERIE COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003

Total governmental fund balances		\$	5,154,870
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			2,580,572
Federal donated commodities are not reported in the funds			1,930
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds			
Taxes	\$	244,205	
Accrued interest		222	
Intergovernmental revenue		79,990	
Total			324,417
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds			
Compensated absences		509,657	
Capital lease obligation		32,177	
Pension obligation payable		19,527	
Total			(561,361)
Net assets of governmental activities			\$ 7,500,428

See accompanying notes to the basic financial statements.

**EHOVE CAREER CENTER
ERIE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>General</u>	<u>Adult Education</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 5,479,081	\$ -	\$ -	\$ 5,479,081
Tuition and fees	11,380	1,781,881	41,551	1,834,812
Earnings on investments	119,149	-	281	119,430
Extracurricular	-	-	231	231
Charges for services	-	-	179,116	179,116
Other	68,022	113,169	101,024	282,215
Intergovernmental	4,822,313	567,227	1,992,175	7,381,715
Total revenue	<u>10,499,945</u>	<u>2,462,277</u>	<u>2,314,378</u>	<u>15,276,600</u>
Expenditures:				
Current:				
Instruction:				
Regular	620,552	-	-	620,552
Special	440,881	-	21,339	462,220
Vocational	4,868,933	-	297,511	5,166,444
Adult continuing education	-	2,060,646	1,359,268	3,419,914
Support Services:				
Pupil	497,349	57,862	299,756	854,967
Instructional staff	141,726	-	18,186	159,912
Board of education	34,458	-	-	34,458
Administration	1,022,706	476,958	87,405	1,587,069
Fiscal	383,166	-	5,000	388,166
Business	172,723	-	-	172,723
Operations and maintenance	1,487,988	7,394	-	1,495,382
Pupil transportation	19,353	-	-	19,353
Central	571,204	-	29,290	600,494
Operation of non-instructional services	-	-	300	300
Facilities acquisition and construction	66,088	-	-	66,088
Food service operations	-	-	244,822	244,822
Capital outlay	20,472	28,195	-	48,667
Debt service:				
Principal retirement	108,578	7,912	-	116,490
Interest and fiscal charges	6,360	1,805	-	8,165
Total expenditures	<u>10,462,537</u>	<u>2,640,772</u>	<u>2,362,877</u>	<u>15,466,186</u>
Excess of revenues over (under) expenditures	<u>37,408</u>	<u>(178,495)</u>	<u>(48,499)</u>	<u>(189,586)</u>

(Continued)

**EHOVE CAREER CENTER
ERIE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):				
Transfers in	-	50,000	55,121	105,121
Transfers (out)	(105,121)	-	-	(105,121)
Proceeds from capital lease transaction	20,472	28,195	-	48,667
Proceeds from sale of capital assets	9,549	-	-	9,549
Total other financing sources (uses)	<u>(75,100)</u>	<u>78,195</u>	<u>55,121</u>	<u>58,216</u>
Net change in fund balances	(37,692)	(100,300)	6,622	(131,370)
Fund balances at beginning of year (restated)	5,144,472	212,346	(66,198)	5,290,620
Increase (decrease) in reserve for inventory	<u>(11,343)</u>	<u>8,462</u>	<u>(1,499)</u>	<u>(4,380)</u>
Fund balances at end of year	<u>\$ 5,095,437</u>	<u>\$ 120,508</u>	<u>\$ (61,075)</u>	<u>\$ 5,154,870</u>

See accompanying notes to the basic financial statements.

**EHOVE CAREER CENTER
ERIE COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Net change in fund balances - total governmental funds	\$ (131,370)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.	(181,149)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(4,642)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.	(4,380)
Donated commodities received and the related expense is not recognized in the funds.	1,930
Proceeds of capital lease transaction are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.	(48,667)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(106,478)
Repayment of energy loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	116,490
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(65,598)
Change in net assets of governmental activities	<u><u>\$ (423,864)</u></u>

See accompanying notes to the basic financial statements.

**EHOVE CAREER CENTER
ERIE COUNTY**

STATEMENT IN REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 5,265,000	\$ 5,265,000	\$ 5,317,808	\$ 52,808
Tuition and fees	10,000	10,000	11,130	1,130
Earnings on investments	150,000	150,000	124,996	(25,004)
Other	60,000	60,100	89,598	29,498
Intergovernmental	4,465,000	4,465,000	4,850,657	385,657
Total revenue	<u>9,950,000</u>	<u>9,950,100</u>	<u>10,394,189</u>	<u>444,089</u>
Expenditures:				
Current:				
Instruction:				
Regular	604,593	611,142	611,063	79
Special	426,170	428,290	428,233	57
Vocational	5,015,836	4,954,704	4,950,182	4,522
Support Services:				
Pupil	494,935	501,136	501,110	26
Instructional staff	144,480	146,480	146,406	74
Board of education	15,050	37,390	37,366	24
Administration	1,048,787	1,038,962	1,038,673	289
Fiscal	284,226	285,126	285,084	42
Business	169,225	169,425	169,407	18
Operations and maintenance	1,568,680	1,576,680	1,576,188	492
Pupil transportation	20,078	20,093	20,063	30
Central	602,053	602,957	602,651	306
Facilities acquisition and construction	78,277	78,277	78,153	124
Debt Service:				
Principal retirement	-	100,000	100,000	-
Interest and fiscal charges	-	4,300	4,300	-
Total expenditures	<u>10,472,390</u>	<u>10,554,962</u>	<u>10,548,879</u>	<u>6,083</u>
Excess of revenues under expenditures	<u>(522,390)</u>	<u>(604,862)</u>	<u>(154,690)</u>	<u>450,172</u>

(Continued)

**EHOVE CAREER CENTER
ERIE COUNTY**

STATEMENT IN REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Other financing sources (uses):				
Refund of prior year expenditure	21,186	21,186	49,405	28,219
Transfers (out)	(195,000)	(195,000)	(105,121)	89,879
Advances in	218,814	218,814	218,814	-
Advances (out)	-	(177,835)	(167,988)	9,847
Proceeds from sale of capital assets	-	10,000	9,549	(451)
Total other financing sources (uses)	<u>45,000</u>	<u>(122,835)</u>	<u>4,659</u>	<u>127,494</u>
Net change in fund balance	(477,390)	(727,697)	(150,031)	577,666
Fund balance at beginning of year (restated)	5,245,524	5,245,524	5,245,524	-
Prior year encumbrances appropriated	<u>175,660</u>	<u>175,660</u>	<u>175,660</u>	<u>-</u>
Fund balance at end of year	<u>\$ 4,943,794</u>	<u>\$ 4,693,487</u>	<u>\$ 5,271,153</u>	<u>\$ 577,666</u>

See accompanying notes to the basic financial statements.

**EHOVE CAREER CENTER
ERIE COUNTY**

STATEMENT IN REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ADULT EDUCATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Tuition and fees	\$1,701,290	\$1,728,364	\$1,785,472	\$57,108
Other	109,680	116,980	114,169	(2,811)
Intergovernmental	590,500	590,500	566,427	(24,073)
Total revenue	<u>2,401,470</u>	<u>2,435,844</u>	<u>2,466,068</u>	<u>30,224</u>
Expenditures:				
Current:				
Instruction:				
Adult Continuing Education	2,095,998	2,143,003	2,139,467	3,536
Support Services:				
Pupil	53,506	58,003	58,075	(72)
Administration	480,973	485,136	479,909	5,227
Operations and maintenance	-	-	7,394	(7,394)
Total expenditures	<u>2,630,477</u>	<u>2,686,142</u>	<u>2,684,845</u>	<u>1,297</u>
Excess of revenues under expenditures	<u>(229,007)</u>	<u>(250,298)</u>	<u>(218,777)</u>	<u>31,521</u>
Other financing sources:				
Refund of prior year expenditure	-	-	100	100
Transfers in	-	50,000	50,000	-
Total other financing sources	<u>-</u>	<u>50,000</u>	<u>50,100</u>	<u>100</u>
Net change in fund balance	<u>(229,007)</u>	<u>(200,298)</u>	<u>(168,677)</u>	<u>31,621</u>
Fund balance at beginning of year	156,081	156,081	156,081	-
Prior year encumbrances appropriated	<u>59,698</u>	<u>59,698</u>	<u>59,698</u>	<u>-</u>
Fund balance at end of year	<u>\$ (13,228)</u>	<u>\$ 15,481</u>	<u>\$ 47,102</u>	<u>\$ 31,621</u>

See accompanying notes to the basic financial statements.

**EHOVE CAREER CENTER
ERIE COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments	\$ 25,509
Total assets	<u>25,509</u>
Liabilities:	
Intergovernmental payable	1,563
Due to students	<u>23,946</u>
Total liabilities	<u>\$ 25,509</u>

See accompanying notes to the basic financial statements.

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**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 1 - DESCRIPTION OF THE CAREER CENTER

The EHOVE Career Center (the Career Center) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Career Center is a joint vocational school Career Center as defined by § 3311.16 of the Ohio Revised Code. The Career Center operates under an appointed Board of Education (nine members) and is responsible for the provision of public education to residents of the Career Center.

Average daily membership (ADM) as of October 1, 2002, was 1,075. The Career Center employed 11 administrative and supervisory personnel, 80 certificated employees and 40 non-certificated employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the Career Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Career Center. For the Career Center, this includes regular vocational, special and adult continuing instruction. The Career Center also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

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 organizations' government 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 have access to organizations; resources; or (3) the Career Center is legally

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Career Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Career Center in that the Career Center approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the Career Center has no component units. The basic financial statements of the reporting entity include only those of the Career Center (the primary government). The following organizations are described due to their relationship to the Career Center:

JOINTLY GOVERNED ORGANIZATIONS

The Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among area school Career Centers. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member Career Centers. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. The NOECA assembly consists of a superintendent from each participating school Career Center and representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating school Career Centers are located. The degree of control exercised by any participating school Career Center is limited to its representation on the Board. Financial information can be obtained by contacting Betty Schwiefert, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Bay Area Council of Governments

The Bay Area Council of Governments consists of numerous school districts representing seven counties (Crawford, Erie, Huron, Ottawa, Sandusky, Seneca, and Wood). This jointly governed organization was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through Bay Area are natural gas and insurance. The only cost to the Career Centers is an administrative charge if they purchase something through the Council. The Bay Area Council of Governments consists of the superintendent of each school Career Center. The Board of Directors consists of one elected representative from each county, and the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer).

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

Members of the Board serve two-year terms which are staggered. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal officer, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Cisco Academy of Northwest Ohio

The Cisco Academy of Northwest Ohio (the Academy) was established July 1, 1998 to foster cooperation toward joint training and other joint activities of mutual interest among certain educational entities located in Northwest Ohio. The Academy is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and by laws adopted by the representatives of the member educational entities. The Academy is governed by a management council consisting of a representative appointed from each participating member educational entity. The Board of Education of the Four County Career Center has been designated fiscal agent for the Academy. Financial information can be obtained from Michele Zeedyk, who serves as treasurer of the Four County Career Center, at 22-900 State Route 34, Archbold, Ohio 43502.

PUBLIC ENTITY RISK POOLS

Health Benefits

The Huron-Erie School Employees Insurance Association is a shared risk pool, with participants from Erie and Huron Counties. The Association is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly elects officers for two year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Association. All Association revenues are generated from charges for services. Financial information can be obtained by writing to the Erie-Ottawa-Huron County Educational Service Center, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Workers' Compensation

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

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

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

Adult Education - The Adult Education fund is used to account for transactions made in connection with adult education classes. Receipts include, but are not limited to, tuition from patrons and students and reimbursement from the State Department of Education. Expenditures include supplies, salaries and textbooks.

The other governmental funds of the Career Center account for food service operations, the sale of uniform school supplies, rotary funds for vocation education and for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the Career Center's ongoing activities which are similar to those often found in the private sector. The Career Center has no proprietary funds.

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. The Career Center's only fiduciary funds are agency funds which are custodial in nature (assets equal liabilities) and do not involve

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

measurement of results of operations. The Career Center's agency funds account for student activities and district agency responsibilities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the Career Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the Career Center. 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 amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the Career Center.

The government-wide financial statements are prepared using the 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.

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

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

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

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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.

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

Nonexchange transactions, in which the Career Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donation. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. Tuition received in advance of the intended fiscal year is recorded as deferred revenue.

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

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Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased tax rates. By no later than January 20, the Board-adopted budget is filed with Erie County Budget Commission for rate determination.

Estimated Resources:

By March 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the Career Center must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On

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or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Career Center Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended Certificate issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the Career Center. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the object level within each function. Any revisions that alter the object level within each function must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, all supplemental appropriations were legally enacted.

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

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Cash and Investments

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

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During fiscal year 2003, investments were limited to nonnegotiable certificates of deposits, federal agency securities, and investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The Career Center has invested funds in STAR Ohio during fiscal 2003. 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, 2003.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$119,149, which includes \$7,225 assigned from other Career Center funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Career Center are considered to be cash equivalents. Investments with an initial maturity of more than three months, not purchased from pool, are reported as investments.

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

G. Inventory

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

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

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H. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

Description	Governmental Activities Estimated Lives
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivables/payables" and receivables and payables resulting from charges for goods and services are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

The Career Center reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the Career Center will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting payment method. An accrual

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for earned sick leave is made to the extent it is probable that benefits will result in termination payments. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

The Career Center reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, unclaimed monies, property taxes unavailable for appropriation and budget stabilization. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as reserved. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation,

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reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set-aside to create a reserve for budget stabilization. See Note 18 for details.

Q. Interfund Activity

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

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2003.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2003, the Career Center has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

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

The government-wide financial statements show the Career Center's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance -

Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. Certain funds previously reported as expendable trust funds have been reclassified and are now part of the general fund and other nonmajor governmental funds. In addition, certain long-term pension obligations previously reported as fund liabilities have been reported as long-term at June 30, 2002. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002.

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The fund reclassifications, the adjustment for pension obligations and the implementation of GASB Interpretation No. 6 had the following effect on the Career Center's governmental fund balances as previously reported:

	<u>General</u>	<u>Adult Education</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance				
June 30, 2002	\$ 5,173,085	\$ 211,211	\$ (81,855)	\$ 5,302,441
Fund reclassifications	5,091	-	11,481	16,572
Implementation of GASB Interpretation No. 6	(42,462)	-	-	(42,462)
Adjustment for pension obligation	<u>8,758</u>	<u>1,135</u>	<u>4,176</u>	<u>14,069</u>
Adjusted fund balance, June 30, 2002	<u>\$ 5,144,472</u>	<u>\$ 212,346</u>	<u>\$ (66,198)</u>	<u>\$ 5,290,620</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Adjusted fund balance, June 30, 2002	\$ 5,290,620
GASB 34 adjustments:	
Long-term (deferred) assets	430,895
Capital assets	2,766,363
Long-term liabilities	<u>(563,586)</u>
Governmental activities net assets, June 30, 2002	<u>\$ 7,924,292</u>

B. Deficit Fund Balances

Fund balances at June 30, 2003 included the following individual fund deficits:

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<u>Nonmajor Funds</u>	<u>Deficit</u>
Food service	\$ 6,192
Other Grants	65,928
Career Development	401
Full Service Center	2,440
Public Preschool Grant	28
Career Development Grant	6,171
Miscellaneous State Grants	2,911
Vocational Education	50,852
Title V	385
Title II-A Teacher quality Grant	94
Miscellaneous Federal Grants	5,512

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Career Center maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the basic financial statements as "Equity in Pooled Cash and Investments". Statutes require the classification of monies held by the Career Center into three categories.

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two-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 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

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

Protection of the Career Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on hand: At fiscal year-end, the Career Center had \$250 in undeposited cash on hand which is included on the statement of net assets and the balance sheet of the Career Center as part of "Equity in Pooled Cash and Investments".

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

Deposits: At year-end, the carrying amount of the Career Center's deposits was \$506,469 and the bank balance was \$669,080. These balances included \$500,000 in nonnegotiable certificates of deposit. Of the bank balance, \$269,080 was covered by federal depository insurance and \$400,000 was covered by surety company bonds deposited with the treasurer by the financial institution.

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

Investments: The Career Center's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the Career Center. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Career Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the Career Center's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

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	Category 2	Reported Amount	Fair Value
Federal agency securities	\$ 1,504,826	\$ 1,504,826	\$ 1,504,826
Total	\$ 1,504,826		
Investment in STAR Ohio		3,604,793	3,604,793
Total investments		\$ 5,109,619	\$ 5,109,619

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 5,616,338	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(3,604,793)	3,604,793
Federal agency securities	(1,504,826)	1,504,826
Cash on hand	(250)	-
GASB Statement No. 3	\$ 506,469	\$ 5,109,619

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2003 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	\$ 167,989

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

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Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2003 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General fund	\$ 55,121
Transfers to Adult Education fund from:	
General fund	50,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

- C.** Due from/to other funds consisted of the following at June 30, 2003, as reported on the fund statements:

Due From	Due To	Amount
General	Adult Education	\$ 5,891
Nonmajor governmental funds	Adult Education	3,310
Total		\$ 9,201

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Career Center. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received

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in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Career Center prior to June 30.

The Career Center receives property taxes from various Counties. The County Auditors periodically advance to the Career Center their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available as an advance at June 30, 2003 was \$547,777 in the general fund. These amounts have been recorded as revenue.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deterred revenue.

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

The full tax rate for Career Center operations for the year ended June 30, 2003, was \$3.95 per \$1,000.00 of assessed value. The assessed values of real and tangible personal property for tax year 2002 are as follows:

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$ 2,045,398,861	84%	\$ 2,086,573,100	83%
Public Utility Property	117,689,150	5%	158,269,330	6%
Tangible Personal Property	279,569,785	11%	274,106,314	11%
Total Assessed Valuation	\$ 2,442,657,796	100%	\$ 2,518,948,744	100%

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities

Property taxes	\$ 5,638,916
Accounts	27,315
Intergovernmental	229,883
Accrued interest	222
Total	\$ 5,896,336

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

NOTE 8 - FIXED ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

	Balance 06/30/02	Additions	Deductions	Balance 06/30/03
Capital assets, not being depreciated:				
Land	\$ 378,920	\$ -	\$ -	\$ 378,920
Capital assets, being depreciated:				
Buildings and improvements	4,212,149	-	(8,500)	4,203,649
Furniture/equipment	3,163,438	232,797	(146,345)	3,249,890
Vehicles	238,686	48,690	(25,114)	262,262
Total capital assets, being depreciated	7,614,273	281,487	(179,959)	7,715,801
Less: accumulated depreciation:				
Buildings and improvements	(2,832,349)	(83,304)	-	(2,915,653)
Furniture/equipment	(2,232,365)	(364,361)	142,420	(2,454,306)
Vehicles	(162,116)	(2,631)	20,557	(144,190)
Total accumulated depreciation	(5,226,830)	(450,296)	162,977	(5,514,149)
Governmental activities capital assets, net	\$ 2,766,363	\$ (168,809)	\$ (16,982)	\$ 2,580,572

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 10,189
Special	1,881
Vocational	254,681
Adult/continuing	36,271

Support Services:

Pupil	1,166
Instructional Staff	2,982
Board of education	298
Administration	28,328
Fiscal	2,139
Business	12,391
Operations and Maintenance	39,097

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS

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

	Balance Outstanding 06/30/02	Additions	Reductions	Balance Outstanding 06/30/03	Amounts Due in One Year
Governmental Activities:					
Energy conservation loan	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
Compensated absences	488,248	52,083	-	540,331	30,674
Capital lease obligation	-	48,667	(16,490)	32,177	16,596
Total governmental activities	<u>\$ 588,248</u>	<u>\$ 100,750</u>	<u>\$ (116,490)</u>	<u>\$ 572,508</u>	<u>\$ 47,270</u>

Energy Conservation Loan: On February 1, 1994, the Career Center borrowed \$1,400,000 in the form of a ten-year 4.30 percent note to finance energy conservation projects. The loan will be paid off with the utility savings generated from the energy improvements in accordance with House Bill 264 and Ohio Revised Code § 3313.372. The final payment on the loan was made in fiscal 2003.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid. Compensated absences are presented net of actual increases and decreases.

Capital Lease Obligation: The capital lease obligation is being paid from the general fund and the Adult Education special revenue fund.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Sick Leave

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1¼) days for each calendar month under contract. Sick leave is cumulative to three hundred eight (308) days for certified employees and two hundred twenty-seven (227) days for non-certified employees.

B. Service Retirement Benefits

1. Certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is one-fourth (25%) of the

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

certified employee's accrued but unused sick leave days at the time of retirement based on their daily rate times the value of the employee's eligible (77 days maximum) accrued but unused sick leave days. Employees must have at least ten years of total retirement service and at least five years of service with the Career Center to become eligible to be entitled to the maximum of seventy-seven (77) days.

2. Certified employees who retire during the current contract will be paid \$225 for every year of service with the EHOVE Board of Education.
3. Non-certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is one-fourth of sick leave days accumulated, but not to exceed fifty-six (56) days. Non-certified employees must have ten or more years of public service at the time of retirement.
4. Non-certified employees shall receive a lump sum payment of \$125 per year of service with the Career Center upon retiring in the first year of eligibility (as defined by the School Employees Retirement System).
5. Administration employees, certified, and non-certified non-union staff are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is that as set forth in the EHOVE Education Association contract for administrators and as set forth in the OAPSE (Ohio Association of Public School Employees) contract non non-certified employees.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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. The Career Center maintains comprehensive insurance coverage with private carriers for general liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Losses have not exceeded insurance coverage for the last three years and there has been no significant reduction in insurance coverage from last year.

The Career Center is a member of the Huron-Erie School Employees Insurance Association, a public entity risk pool currently operating as a common risk management and health insurance program for 14 member school Career Centers. The Career Center pays a monthly premium to the pool for health, prescription drug, dental, and vision coverage. The pool agreement provides that the Association will be self-sustaining through member premiums, and the pool purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$250,000 for any employee in a year or to cover

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

aggregate claims in excess of 120 percent of the prior year's total claims. Individual coverage per person cannot exceed \$1,000,000 in claims during his or her lifetime.

B. Workers' Compensation Rating Program

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current Career Center rate is 14 percent of annual covered payroll. A portion of the Career Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The Career Center's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$141,958, \$86,814,

**EHOVE CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

and \$61,135, respectively. These contributions represent the required contributions for the respective fiscal year.

B. State Teachers Retirement System

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

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

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

Career Center rate is 14 percent of annual covered payroll. A portion of the Career Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5 percent of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The Career Center's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$877,085, \$580,628, and \$546,878, respectively. These contributions represent the required contributions for the respective fiscal year.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2003, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve fund. For the Career Center, this amount equaled \$67,439 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

**EHOVE CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83 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 2003, the minimum pay has been established at \$12,400. 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, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the Career Center, the amount to fund health care benefits, including surcharge, equaled \$115,358 during the 2003 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures, and changes in fund balance – budget and actual (non-GAAP budgetary basis) presented for the general fund and Adult Education fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and the Adult Education Fund are as follows:

	General Fund	Adult Education
Budget basis	\$ (150,031)	\$ (168,677)
Net adjustment for revenue accruals	105,756	(3,791)
Net adjustment for expenditure accruals	(51,595)	23,330
Net adjustment for other sources/uses	(79,759)	28,095
Adjustment for encumbrances	137,937	20,743
GAAP basis	\$ (37,692)	\$ (100,300)

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

The Career Center is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The Career Center management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the Career Center.

C. State School Funding Decision

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

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

NOTE 16 - STATUTORY RESERVES

The Career Center is required by state 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. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Amount not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital maintenance, and budget stabilization. Disclosure of this information is required by state statute.

	Textbooks/ Instructional Materials	Capital Maintenance	Budget Stabilization
Set-aside balance as of July 1, 2002	\$ (325,585)	\$ -	\$ 48,764
Current year set-aside requirement	111,220	111,220	-
Qualifying expenditures	<u>(347,179)</u>	<u>(289,757)</u>	<u>-</u>
Total	<u>\$ (561,544)</u>	<u>\$ (178,537)</u>	<u>\$ 48,764</u>
Balance carried forward to FY 2004	<u>\$ (561,544)</u>	<u>\$ -</u>	<u>\$ 48,764</u>

Senate Bill (S.B.) 345, 123rd General Assembly eliminated the requirement for the Budget Stabilization set-aside. S.B. 345 places special restrictions of the use of Bureau of Workers' Compensation (BWC) Rebate money remaining in the Budget Stabilization as of April 10, 2001. \$48,764 represents the BWC portion at June 30, 2003, and is reported as a reservation of fund balance on the basic financial statements. The Career Center intention is to use the BWC portion towards an upcoming building expansion program, but no formal action has been taken by the Board to officially designate this reserve for building expansion program.

Although the Career Center has offsets and qualifying disbursements during the year that reduced the set-aside requirements below zero, only the amount for textbooks may be used to reduce the set-aside requirements of future years.

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

A schedule of the governmental fund restricted assets at June 30, 2003 follows:

Amount restricted for budget stabilization	\$ <u>48,764</u>
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NOTE 17 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The Career Center has entered into capital lease agreements for the acquisition of a copier and adult education equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the least term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Governmental activities capital assets consisting of copier and adult education equipment have been capitalized in the amount of \$48,667. This amount represents the present value of the future minimum lease payments at the time of acquisition.

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the 2003 fiscal year totaled \$16,490 and \$4,223, respectively. These amounts are reported as debt service payments of the general fund and adult education fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2003:

Year Ending June 30	Amount
2004	\$ 16,596
2005	16,599
2006	<u>1,884</u>
Total minimum lease payment	35,079
Less: amount representing interest	<u>(2,902)</u>
Present value of minimum lease payments	<u>\$ 32,177</u>

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**EHOVE CAREER CENTER
ERIE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program	N/A	10.550
National School Lunch Program		10.555
Total U.S. Department of Agriculture - Nutrition Cluster		
U.S. DEPARTMENT OF EDUCATION		
<i>Direct Payment - United States Department of Education</i>		
Federal Pell Grant Program	N/A	84.063
<i>Passed Through Ohio Department of Education:</i>		
Higher Skills Partnership	051029-LLP4-2003	17.258
Total Higher Skills Partnership		
Vocational Education - Basic Grants to States	051029-20A0-2002 051029-20A0-2003 051029-20A5-2003 051029-20C1-2002 051029-20C1-2003 051029-20C2-2002 051029-20C2-2003 051029-ACRN-2003	84.048
Total Vocational Education - Basic Grants to States		
Comprehensive School Reform Demonstration Grant	051029-RFS2-01(A)	84.332
Total Comprehensive School Reform Demonstration Grant		
Innovative Education Program Strategies	051029-C2S1-2003	84.298
Improving Teacher Quality State Grants	051029-TRS1-2003	84.367
Total Department of Education		
Totals		

The accompanying notes are an integral part of this schedule.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
\$ -	\$ 6,187	\$ -	\$ 6,187
25,200	-	25,200	-
25,200	6,187	25,200	6,187
381,510	-	381,510	-
9,326	-	9,262	-
9,326	-	9,262	-
12,843	-	27,735	-
17,000	-	20,000	-
12,750	-	14,966	-
97,446	-	71,327	-
213,556	-	235,088	-
10,417	-	-	-
70,536	-	75,585	-
1,700	-	2,000	-
436,247	-	446,702	-
-	-	340	-
-	-	340	-
3,464	-	3,849	-
3,464	-	3,849	-
3,543	-	3,937	-
3,543	-	3,937	-
834,091	-	845,599	-
\$ 859,291	\$ 6,187	\$ 870,800	\$ 6,187

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Career Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the Career Center to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the Career Center contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Career Center has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State
Betty Montgomery**

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

EHOVE Career Center
Erie County
316 Mason Road West
Milan, Ohio 44846-9771

To the Board of Education:

We have audited the financial statements of the EHOVE Career Center, Erie County, (the Career Center) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 31, 2003, in which we indicated the Career Center adopted Governmental Accounting Standards Board Statement 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Career Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Career Center in a separate letter dated October 31, 2003.

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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Career Center in a separate letter dated October 31, 2003.

This report is intended for the information and use of the audit committee, management, Board of Education, 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.



Betty Montgomery
Auditor of State

October 31, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133***

EHOVE Career Center
Erie County
316 Mason Road West
Milan, Ohio 44846-9771

To the Board of Education:

Compliance

We have audited the compliance of the EHOVE Career Center, Erie County, (the 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 its major federal program for the year ended June 30, 2003. The Career Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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, 2003.

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.

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

This report is intended for the information and use of the audit committee, management, Board of Education, 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.



Betty Montgomery
Auditor of State

October 31, 2003

**EHOVE CAREER CENTER
ERIE COUNTY**

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program (list):	Federal Pell Grant Program CFDA #84.063
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140
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800-282-0370
Facsimile 614-466-4490

EHOVE CAREER CENTER

ERIE 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
DECEMBER 30, 2003**