



**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 2004, which collectively comprise the Career Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Career Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 EHOVE Career Center, Erie County, Ohio, as of June 30 2004, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General Fund and Adult Education Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2005, on our consideration of the Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the Career Center'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 also 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

January 12, 2005

**EHOVE CAREER CENTER
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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, 2004. 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 2004 are as follows:

- In total, net assets of governmental activities decreased \$233,057 which represents a 3.1 percent decrease from 2003.
- General revenues accounted for \$10,991,614 in revenue or 70.56 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,585,894 or 29.44 percent of total revenues of \$15,577,508.
- The Career Center had \$15,810,565 in expenses related to governmental activities; only \$4,585,894 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 \$10,991,614 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 \$10,813,725 in revenues and \$10,674,672 in expenditures. During fiscal 2004, the general fund's fund balance decreased from \$5,095,437 to \$5,045,120.
- The Career Center's other major governmental fund is the adult education fund. The adult education fund had \$2,424,927 in revenues and \$2,695,802 in expenditures. During fiscal 2004, the adult education fund's fund balance decreased from \$120,508 to \$29,018.

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.

**EHOVE CAREER CENTER
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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 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 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues, and expenses* 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

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,

**EHOVE CAREER CENTER
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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.

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. 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.

Notes to the Basic Financial Statements

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

The Career Center as a Whole

The Statement of Net Assets provides the perspective of the Career Center as a whole. The table below provides a summary of the Career Center's net assets for 2004 and 2003.

**EHOVE CAREER CENTER
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

	Net Assets	
	Governmental Activities 2004	Governmental Activities 2003
Assets		
Current and other assets	\$ 12,751,019	\$ 11,590,350
Capital assets, net	<u>2,378,482</u>	<u>2,580,572</u>
<i>Total assets</i>	<u>15,129,501</u>	<u>14,170,922</u>
Liabilities		
Current liabilities	7,135,163	6,097,986
Long-term liabilities	<u>726,967</u>	<u>572,508</u>
Total liabilities	<u>7,862,130</u>	<u>6,670,494</u>
Net Assets		
Invested in capital		
assets, net of related debt	2,367,515	2,548,395
Restricted for set-asides	48,764	48,764
Restricted for other purposes	-	14,043
Unrestricted	<u>4,851,092</u>	<u>4,889,226</u>
Total net assets	<u>\$ 7,267,371</u>	<u>\$ 7,500,428</u>

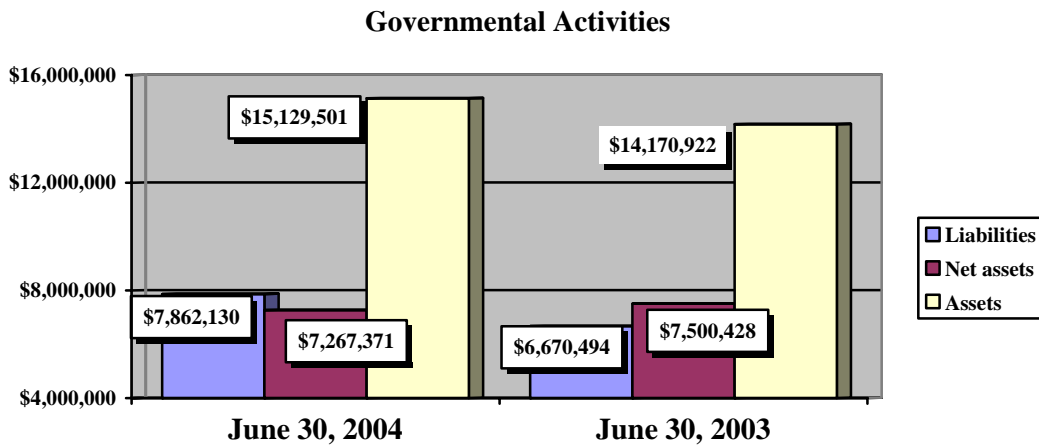
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the Career Center's assets exceeded liabilities by \$7,267,371.

At year-end, capital assets represented 15.80 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, 2004, were \$2,367,515. 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, 2004; however, the Career Center did have capital lease obligations outstanding at June 30, 2004.

**EHOVE CAREER CENTER
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

A portion of the Career Center's net assets, \$48,767, represent resources that are subject to external restrictions on how they may be used. The remaining Career Center's net assets, \$4,851,092 are unrestricted net assets and may be used to meet the Career Center's ongoing obligations to the students and creditors.



The table below shows the change in net assets for fiscal year 2004.

	Change in Net Assets	
	Governmental Activities 2004	Governmental Activities 2003
Revenues		
Program revenues:		
Charges for services and sales	\$ 2,104,574	\$ 2,198,503
Operating grants and contributions	2,481,320	2,534,219
Capital grants and contributions	-	-

(Continued)

**EHOVE CAREER CENTER
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

	Change in Net Assets (Continued)	
	Governmental Activities 2004	Governmental Activities 2003
General revenues:		
Property taxes	5,780,211	5,413,097
School district income taxes		
Grants and entitlements	4,962,254	4,822,313
Investment earnings	75,483	119,652
Miscellaneous	173,241	82,807
Gain on sale of capital assets	425	4,907
<i>Total revenues</i>	15,577,508	15,175,498
Expenses		
Program expenses:		
Instruction:		
Regular	695,728	577,857
Special	538,141	474,478
Vocational	5,556,240	5,427,211
Adult continuing education	3,226,833	3,436,027
Support services:		
Pupil	916,614	866,844
Instructional staff	262,536	159,885
Board of education	42,137	34,756
Administration	1,841,048	1,607,941
Fiscal	327,601	406,013
Business	197,839	183,958
Operations and maintenance	1,560,292	1,521,252
Pupil transportation	24,427	19,428
Central	392,698	616,885
Operations of non-instructional services		
Operation of non-instructional services	2,602	300
Food service operations	224,545	258,362
Extracurricular activities		
Intergovernmental pass through		
Interest and fiscal charges	1,284	8,165
<i>Total expenses</i>	15,810,565	15,599,362
<i>Decrease in net assets</i>	\$ (233,057)	\$ (423,864)

**EHOVE CAREER CENTER
ERIE COUNTY**

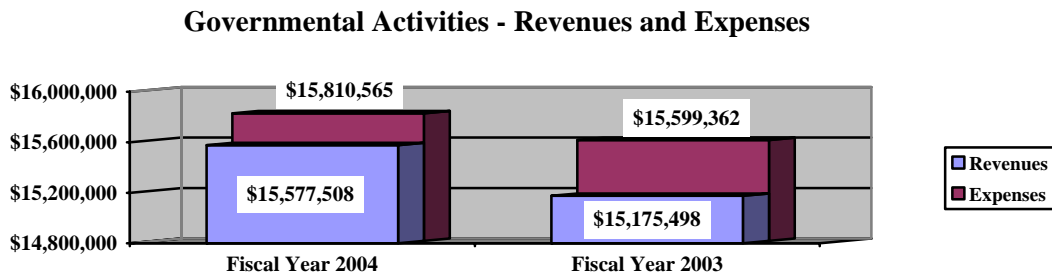
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Governmental Activities

Net assets of the Career Center's governmental activities decreased by \$233,057. Although revenues have increased, the rate of increase is less than the rate of increase in expenditures, resulting in a decrease in net assets. The primary area of increase was in vocational instruction activities which accounted for 35.14 percent of total governmental expenses in fiscal 2004. Vocational expense is the predominant expense line item of the Career Center. Total governmental expenses of \$15,810,565 were offset by program revenues of \$4,585,894 and general revenues of \$10,991,614. Program revenues supported 29 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 68.96 percent of total governmental revenue.

The graph below presents the Career Center's governmental activities revenue and expenses for fiscal year 2004.



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.

**EHOVE CAREER CENTER
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2004	2004	2003	2003
Program expenses				
Instruction:				
Regular	\$ 695,728	\$ 695,728	\$ 577,857	\$ 577,857
Special	538,141	520,010	474,478	453,139
Vocational	5,556,240	5,269,766	5,427,211	5,190,355
Adult continuing education	3,226,833	(387,614)	3,436,027	(338,204)
Support services:				
Pupil	916,614	616,421	866,844	519,325
Instructional staff	262,536	214,285	159,885	146,365
Board of education	42,137	42,137	34,756	34,756
Administration	1,841,048	1,764,542	1,607,941	1,521,637
Fiscal	327,601	322,601	406,013	401,013
Business	197,839	197,839	183,958	183,958
Operations and maintenance	1,560,292	1,560,292	1,521,252	1,521,252
Pupil transportation	24,427	24,427	19,428	19,428
Central	392,698	369,721	616,885	583,820
Operation of non-instructional services	2,602	2,602	300	300
Food service operations	224,545	10,630	258,362	43,474
Interest and fiscal charges	1,284	1,284	8,165	8,165
Total expenses	<u>\$ 15,810,565</u>	<u>\$ 11,224,671</u>	<u>\$ 15,599,362</u>	<u>\$ 10,866,640</u>

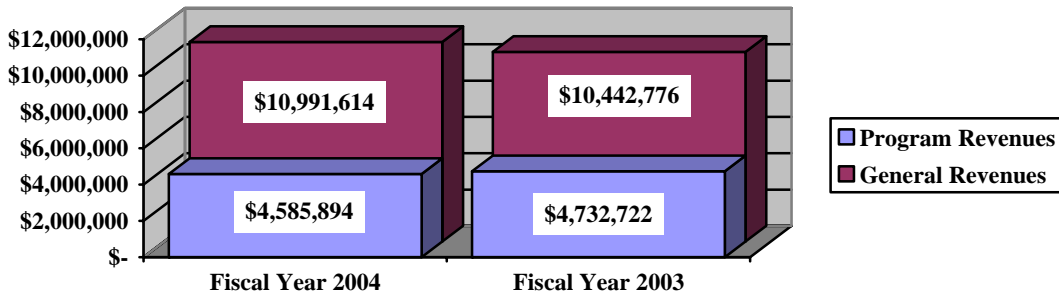
The dependence upon tax and other general revenues for governmental activities is apparent, 59.88 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 71 percent. The Career Center's taxpayers, as a whole, are the primary support for Career Center's students.

The graph below presents the Career Center's governmental activities revenue for fiscal year 2004.

**EHOVE CAREER CENTER
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Governmental Activities - General and Program Revenues



The Career Center's Funds

The Career Center's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$5,135,726, which is lower than last year's total of \$5,154,870. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)
General	\$ 5,045,120	\$ 5,095,437	\$ (50,317)
Adult continuing education	29,018	120,508	(91,490)
Other governmental	61,588	(61,075)	122,663
Total	\$ 5,135,726	\$ 5,154,870	\$ (19,144)

General Fund

The Career Center's general fund balance decreased by \$50,317, from \$5,095,437 to \$5,045,120. The decrease in fund balance can be attributed to transfers out to other governmental funds of \$188,129 and a decrease in investment income from the previous fiscal year of approximately \$52,000. The table that follows assists in illustrating the fiscal year revenues and expenses of the general fund.

**EHOVE CAREER CENTER
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

	<u>2004</u>	<u>2003</u>
	<u>Amount</u>	<u>Amount</u>
Revenues		
Taxes	\$ 5,699,575	\$ 5,479,081
Tuition and fees	21,405	11,380
Earnings on investments	67,015	119,149
Intergovernmental	4,959,254	4,822,313
Other	66,476	68,022
<i>Total</i>	<u>\$ 10,813,725</u>	<u>\$ 10,499,945</u>
 Expenditures		
Instruction	\$ 6,076,422	\$ 5,930,366
Support services	4,510,086	4,330,673
Facilities acquisition and construction	88,164	66,088
Food service operations		
Capital outlay	-	20,472
Debt service	-	114,938
<i>Total</i>	<u>\$ 10,674,672</u>	<u>\$ 10,462,537</u>

Adult Education Fund

The Career Center's adult education fund's fund balance decreased by \$91,490, from \$120,508 to \$29,018. The decrease in fund balance can be attributed to a decrease in Tuition and Fees revenue and an increase in Administration expenses. The decrease in Tuition and Fees revenue resulted from an increase in the price of tuition which led to lower enrollment. The increase in Administration expenses is due to a change in the way the Career Center had accounted for these expenses in the prior years. The table that follows assists in illustrating the fiscal year revenues and expenses of the adult education fund.

**EHOVE CAREER CENTER
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

	2004	2003
	<u>Amount</u>	<u>Amount</u>
Revenues		
Tuition and fees	\$ 1,691,279	\$ 1,781,881
Intergovernmental	544,378	567,227
Other	<u>189,270</u>	<u>113,169</u>
<i>Total</i>	<u>\$ 2,424,927</u>	<u>\$ 2,462,277</u>
Expenditures		
Instruction	\$ 2,019,051	\$ 2,060,646
Support services	666,151	542,214
Food service operations		
Capital outlay	-	28,195
Debt service	<u>10,600</u>	<u>9,717</u>
<i>Total</i>	<u>\$ 2,695,802</u>	<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.

For the general fund, final and original budgeted revenues and other financing sources were \$10,850,100. Actual revenues and other financing sources for fiscal 2004 was \$10,897,043. This represents a \$46,943 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 \$11,094,814 were increased to \$11,129,751 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$11,009,139, which was \$120,612 less than the final budget appropriations.

**EHOVE CAREER CENTER
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the Career Center had \$2,378,482 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

Capital Assets at June 30 (Net of Depreciation)		
	Governmental Activities	
	2004	2003
Land	\$ 378,920	\$ 378,920
Buildings and improvements	1,204,692	1,287,996
Furniture and equipment	667,293	795,584
Vehicles	127,577	118,072
Total	\$ 2,378,482	\$ 2,580,572

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 \$38,866 in new vehicles and \$205,291 in new furniture and equipment during fiscal 2004. Total additions to capital assets for 2004 were \$244,157 and total disposals were \$5,452 (net of accumulated depreciation). The overall decrease in capital assets of \$202,090 is primarily due to the recording of \$440,795 in depreciation expense for fiscal 2004.

See Note 8 to the basic financial statements for additional information on the Career Center's capital assets.

Debt Administration

At June 30, 2004, the Career Center had no bonded debt outstanding. The remaining liability associated with the capital lease obligations was \$10,967 at June 30, 2004.

See Note 9 to the basic financial statements for additional information on the Career Center's debt administration.

**EHOVE CAREER CENTER
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Current Financial Related Activities

EHOVE Career Center is reporting a reduction in overall Net Assets using the accrual accounting GASB 34 Model. As the financial statements report, the Career Center relies heavily upon grants and entitlements, and local property taxes. An increase in property tax revenue was realized in Fiscal Year 2004 due to the triennial property valuation update by four of the eight counties from which tax revenues are received. This additional tax revenue, along with the Career Center's cash balance, will provide the necessary funds to meet its operating expenses in future years.

The Career Center renewed a ½ mill tax levy in November 2003. This levy provides \$750,000 in tax revenue and was renewed for five years. The Career Center will need to renew a 1 ½ mill levy in 2006. Both levies are renewed for 5 year periods of time.

The Career Center placed a ½ mill Permanent Improvement Levy on the November 2004 ballot which failed. Passage of this levy would have provided the Career Center with approximately \$1.4 million dollars per year for ten years. Proceeds would have been used to replace the major training equipment used by the Career Center, to increase the size and quality of the parking lot, and to remodel classroom space in the Career Center. Since the levy failed, the Career Center plans to use a portion of the cash carryover balance to provide for these needed items.

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". On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan and granted a motion for reconsideration on November 2, 2001. At this time, the Career Center is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operation.

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 W. Mason Road, Milan, Ohio 44846.

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**EHOVE CAREER CENTER
ERIE COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2004**

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 5,583,857
Receivables:	
Taxes	6,794,543
Accounts	21,948
Intergovernmental	245,999
Accrued interest	14,221
Prepayments	18,130
Materials and supplies inventory	72,321
Capital assets:	
Land	378,920
Depreciable capital assets, net	1,999,562
<i>Total capital assets, net</i>	<u>2,378,482</u>
<i>Total assets</i>	<u>15,129,501</u>
 Liabilities:	
Accounts payable	127,157
Accrued wages and benefits	902,525
Pension obligation payable	200,334
Intergovernmental payable	37,629
Deferred revenue	5,867,518
Long-term liabilities:	
Due within one year	81,997
Due within more than one year	644,970
<i>Total liabilities</i>	<u>7,862,130</u>
 Net Assets:	
Invested in capital assets, net of related debt	2,367,515
Restricted for set-asides	48,764
Unrestricted	4,851,092
<i>Total net assets</i>	<u>\$ 7,267,371</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 695,728	\$ -	\$ -	\$ (695,728)
Special	538,141	-	18,131	(520,010)
Vocational	5,556,240	167,245	119,229	(5,269,766)
Adult continuing education	3,226,833	1,762,878	1,851,569	387,614
Support services:				
Pupil	916,614	-	300,193	(616,421)
Instructional staff	262,536	-	48,251	(214,285)
Board of education	42,137	-	-	(42,137)
Administration	1,841,048	-	76,506	(1,764,542)
Fiscal	327,601	-	5,000	(322,601)
Business	197,839	-	-	(197,839)
Operations and maintenance	1,560,292	-	-	(1,560,292)
Pupil transportation	24,427	-	-	(24,427)
Central	392,698	-	22,977	(369,721)
Operation of non-instructional services				
	2,602	-	-	(2,602)
Food service operations	224,545	174,451	39,464	(10,630)
Interest and fiscal charges	1,284	-	-	(1,284)
<i>Total governmental activities</i>	<u>\$ 15,810,565</u>	<u>\$ 2,104,574</u>	<u>\$ 2,481,320</u>	<u>(11,224,671)</u>

General Revenues:

Property taxes levied for:	
General purposes	5,780,211
Grants and entitlements not restricted to specific programs	4,962,254
Investment earnings	75,483
Gain on sale of capital assets	425
Miscellaneous	173,241
<i>Total general revenues</i>	<u>10,991,614</u>
Change in net assets	(233,057)
<i>Net assets at beginning of year</i>	<u>7,500,428</u>
<i>Net assets at end of year</i>	<u>\$ 7,267,371</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 5,415,658	\$ 14,245	\$ 105,190	\$ 5,535,093
Receivables:				
Taxes	6,794,543	-	-	6,794,543
Accounts	966	19,092	1,890	21,948
Intergovernmental	3,000	115,506	127,493	245,999
Accrued interest	14,221	-	-	14,221
Interfund loans	113,827	-	-	113,827
Prepayments	16,691	388	1,051	18,130
Materials and supplies inventory	15,558	52,505	4,258	72,321
Due from other funds	-	3,048	-	3,048
Restricted assets:				
Equity in pooled cash and investments	48,764	-	-	48,764
<i>Total assets</i>	<u>\$ 12,423,228</u>	<u>\$ 204,784</u>	<u>\$ 239,882</u>	<u>\$ 12,867,894</u>
Liabilities:				
Accounts payable	\$ 97,593	\$ 4,794	\$ 24,770	\$ 127,157
Accrued wages and benefits	819,667	54,219	28,639	902,525
Compensated absences payable	71,908	-	-	71,908
Pension obligation payable	170,296	8,055	5,344	183,695
Intergovernmental payable	29,670	5,293	2,666	37,629
Interfund loan payable	-	-	113,827	113,827
Due to other funds	-	-	3,048	3,048
Deferred revenue	6,188,974	103,405	-	6,292,379
<i>Total liabilities</i>	<u>7,378,108</u>	<u>175,766</u>	<u>178,294</u>	<u>7,732,168</u>
Fund Balances:				
Reserved for encumbrances	81,694	7,959	10,254	99,907
Reserved for budget stabilization	48,764	-	-	48,764
Reserved for materials and supplies inventory	15,558	52,505	4,258	72,321
Reserved for property tax unavailable for appropriation	617,084	-	-	617,084
Reserved for unclaimed monies	5,870	-	-	5,870
Reserved for prepayments	16,691	388	1,051	18,130
Unreserved, undesignated, reported in:				
General fund	4,259,459	-	-	4,259,459
Special revenue funds	-	(31,834)	46,025	14,191
<i>Total fund balances</i>	<u>5,045,120</u>	<u>29,018</u>	<u>61,588</u>	<u>5,135,726</u>
<i>Total liabilities and fund balances</i>	<u>\$ 12,423,228</u>	<u>\$ 204,784</u>	<u>\$ 239,882</u>	<u>\$ 12,867,894</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, 2004

Total governmental fund balances \$ 5,135,726

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 2,378,482

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds.

Taxes	\$ 324,841
Accrued interest	8,515
Intergovernmental revenue	<u>91,505</u>

Total 424,861

Long-term liabilities are not due and payable in the
current period and therefore are not reported
in the funds.

Compensated absences	644,092
Capital lease obligation	10,967
Pension obligation payable	<u>16,639</u>

Total (671,698)

Net assets of governmental activities \$ 7,267,371

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, 2004**

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes	\$ 5,699,575	\$ -	\$ -	\$ 5,699,575
Tuition	21,405	1,691,279	-	1,712,684
Earnings on investments	67,015	-	175	67,190
Extracurricular	-	-	42	42
Classroom materials and fees	-	-	33,386	33,386
Charges for services	-	-	174,451	174,451
Other	66,476	189,270	104,554	360,300
Intergovernmental	4,959,254	544,378	1,928,427	7,432,059
<i>Total revenue</i>	<u>10,813,725</u>	<u>2,424,927</u>	<u>2,241,035</u>	<u>15,479,687</u>
Expenditures:				
Current:				
Instruction:				
Regular	656,612	-	-	656,612
Special	475,999	-	18,123	494,122
Vocational	4,943,811	-	249,852	5,193,663
Adult continuing education	-	2,019,051	1,164,516	3,183,567
Support Services:				
Pupil	524,845	62,635	324,378	911,858
Instructional staff	209,764	-	46,687	256,451
Board of education	41,484	-	-	41,484
Administration	1,146,040	587,756	79,028	1,812,824
Fiscal	321,821	-	5,000	326,821
Business	195,881	-	-	195,881
Operations and maintenance	1,541,579	15,760	-	1,557,339
Pupil transportation	26,247	-	-	26,247
Central	502,425	-	20,305	522,730
Operation of non-instructional services	-	-	2,350	2,350
Facilities acquisition and construction	88,164	-	-	88,164
Food service operations	-	-	216,449	216,449
Debt service:				
Principal retirement	-	9,316	-	9,316
Interest and fiscal charges	-	1,284	-	1,284
<i>Total expenditures</i>	<u>10,674,672</u>	<u>2,695,802</u>	<u>2,126,688</u>	<u>15,497,162</u>
<i>Excess of revenues over/(under) expenditures</i>	<u>139,053</u>	<u>(270,875)</u>	<u>114,347</u>	<u>(17,475)</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, 2004
(Continued)

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):				
Transfers in	-	179,635	8,494	188,129
Transfers (out)	(188,129)	-	-	(188,129)
Proceeds from sale of capital assets	425	-	-	425
<i>Total other financing sources (uses)</i>	<u>(187,704)</u>	<u>179,635</u>	<u>8,494</u>	<u>425</u>
<i>Net change in fund balances</i>	(48,651)	(91,240)	122,841	(17,050)
<i>Fund balance at beginning of year</i>	5,095,437	120,508	(61,075)	5,154,870
Decrease in reserve for inventory	(1,666)	(250)	(178)	(2,094)
<i>Fund balances at end of year</i>	<u>\$ 5,045,120</u>	<u>\$ 29,018</u>	<u>\$ 61,588</u>	<u>\$ 5,135,726</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, 2004**

Net change in fund balances - total governmental funds \$ (17,050)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$440,795) exceeds capital outlay (\$244,157) in the current period. (196,638)

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. (5,452)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. (2,094)

Disposals of capital leases are recorded as a decrease in expenditures on the statement of activities because they decrease the amount of long term liabilities. 11,894

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 100,444

Capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 9,316

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. (133,477)

Change in net assets of governmental activities \$ (233,057)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL COMPARISON
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues:				
From local sources:				
Taxes	\$ 5,555,768	\$ 5,555,768	\$ 5,587,893	\$ 32,125
Tuition	21,531	21,531	21,655	124
Earnings on investments	74,125	74,125	74,554	429
Other	66,656	66,656	67,260	604
Intergovernmental	<u>4,932,020</u>	<u>4,932,020</u>	<u>4,960,538</u>	<u>28,518</u>
<i>Total revenue</i>	<u>10,650,100</u>	<u>10,650,100</u>	<u>10,711,900</u>	<u>61,800</u>
Expenditures:				
Current:				
Instruction:				
Regular	620,230	650,080	649,600	480
Special	460,090	464,988	464,878	110
Vocational	5,115,902	5,022,587	5,021,067	1,520
Support Services:				
Pupil	524,800	524,606	523,524	1,082
Instructional staff	176,492	203,342	199,948	3,394
Board of education	42,850	40,700	40,157	543
Administration	1,104,920	1,094,030	1,089,641	4,389
Fiscal	308,200	294,445	293,647	798
Business	180,750	197,550	197,496	54
Operations and maintenance	1,555,150	1,567,697	1,567,194	503
Pupil transportation	20,250	26,858	26,767	91
Central	325,180	515,613	514,078	1,535
Facilities acquisition and construction	<u>360,000</u>	<u>127,255</u>	<u>119,186</u>	<u>8,069</u>
<i>Total expenditures</i>	<u>10,794,814</u>	<u>10,729,751</u>	<u>10,707,183</u>	<u>22,568</u>
Excess of revenues over/(under) expenditures	<u>(144,714)</u>	<u>(79,651)</u>	<u>4,717</u>	<u>84,368</u>
Other financing sources (uses):				
Refund of prior year expenditure	32,012	32,012	16,730	(15,282)
Transfers (out)	(100,000)	(225,000)	(188,129)	36,871
Advances in	167,988	167,988	167,988	-
Advances (out)	(200,000)	(175,000)	(113,827)	61,173
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>425</u>	<u>425</u>
<i>Total other financing sources (uses)</i>	<u>(100,000)</u>	<u>(200,000)</u>	<u>(116,813)</u>	<u>83,187</u>
<i>Net change in fund balance</i>	(244,714)	(279,651)	(112,096)	167,555
<i>Fund balance at beginning of year</i>	5,271,153	5,271,153	5,271,153	-
Prior year encumbrances appropriated	<u>137,937</u>	<u>137,937</u>	<u>137,937</u>	<u>-</u>
<i>Fund balance at end of year</i>	<u>\$ 5,164,376</u>	<u>\$ 5,129,439</u>	<u>\$ 5,296,994</u>	<u>\$ 167,555</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL COMPARISON
(NON-GAAP BUDGETARY BASIS) - ADULT EDUCATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Tuition	\$ 2,022,505	\$ 1,750,818	\$ 1,722,926	\$ (27,892)
Other	292,628	205,707	195,161	(10,546)
Intergovernmental	<u>639,973</u>	<u>554,004</u>	<u>545,178</u>	<u>(8,826)</u>
<i>Total revenue</i>	<u>2,955,106</u>	<u>2,510,529</u>	<u>2,463,265</u>	<u>(47,264)</u>
Expenditures:				
Current:				
Instruction:				
Adult continuing education	2,374,057	2,078,591	2,047,260	31,331
Support Services:				
Pupil	70,000	63,872	63,049	823
Administration	586,889	591,989	584,366	7,623
Operations and maintenance	<u>11,972</u>	<u>15,911</u>	<u>15,706</u>	<u>205</u>
<i>Total expenditures</i>	<u>3,042,918</u>	<u>2,750,363</u>	<u>2,710,381</u>	<u>39,982</u>
<i>Excess of expenditures over revenues</i>	<u>(87,812)</u>	<u>(239,834)</u>	<u>(247,116)</u>	<u>(7,282)</u>
Other financing sources:				
Refund of prior year expenditure	-	-	1,623	1,623
Transfers in	<u>210,870</u>	<u>182,543</u>	<u>179,635</u>	<u>(2,908)</u>
<i>Total other financing sources</i>	<u>210,870</u>	<u>182,543</u>	<u>181,258</u>	<u>(1,285)</u>
<i>Net change in fund balance</i>	123,058	(57,291)	(65,858)	(8,567)
<i>Fund balance at beginning of year</i>	47,102	47,102	47,102	-
Prior year encumbrances appropriated	<u>20,743</u>	<u>20,743</u>	<u>20,743</u>	<u>-</u>
<i>Fund balance at end of year</i>	<u>\$ 190,903</u>	<u>\$ 10,554</u>	<u>\$ 1,987</u>	<u>\$ (8,567)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments	\$ <u>23,420</u>
<i>Total assets</i>	\$ <u><u>23,420</u></u>
Liabilities:	
Intergovernmental payable	\$ 1,574
Due to students	<u>21,846</u>
<i>Total liabilities</i>	\$ <u><u>23,420</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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, 2003, was 946. The Career Center employed 11 administrative and supervisory personnel, 80 certificated employees, and 42 non-certificated employees.

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 organizations 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

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

(Continued)

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 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 schools. 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 members. 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 a 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 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 schools are located. The degree of control exercised by any participating school 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

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

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 Center is an administrative charge if they purchase something through the Council. The Bay Area Council of Governments consists of the superintendent of each school. 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).

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 22900 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.

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Workers' Compensation

The Career Center participates in a group rating plan for workers' compensation as established under Section 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.

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.

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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 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

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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.

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.

Non-exchange 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

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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 non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, 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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. 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.

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

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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 April 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 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 original and final amended Certificates 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

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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.

Encumbrance accounting is utilized with Career Center funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting.

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 2004, investments were limited to nonnegotiable certificates of deposits, federal agency securities, and investments in the State Treasury Asset 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 2004. 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, 2004.

Under existing Ohio statutes all investment earnings 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 2004 amounted to \$67,015, which includes \$1,602 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 financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, and purchased food. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

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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 capital 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
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. Interfund loans and "due to/from" transactions are summarized in Note 5.A and 5.C, respectively.

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

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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 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, 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

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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, 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 16 for details.

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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. See Note 5.B. for detail.

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 2004.

3. ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
Nonmajor Funds	
Food Service	\$ 5,684
Other Grants	89,737
Public Preschool Grant	20
Vocational Education Enhancement	45
Basic Education Opportunity Grant	2,076
Miscellaneous Federal Grants	4,535

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

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when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

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 five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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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.

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".

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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 (including repurchase agreements) and Reverse Repurchase Agreements*”.

Deposits: At year-end, the carrying amount of the Career Center’s deposits was \$573,364 and the bank balance was \$767,467. These balances included \$500,000 in nonnegotiable certificates of deposit. Of the bank balance, \$272,790 was covered by federal depository insurance, \$400,000 was covered by specific securities held by the pledging banks’ trust department in the name of the Career Center, and \$94,677 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by a third party trustee, pursuant to Ohio Revised Code Section 135.181, in collateralized pools securing all public funds on deposits with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Career Center to a successful claim by the FDIC.

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	Fair Value
Federal agency securities	\$ 2,980,869	\$ 2,980,869
Total	\$ 2,980,869	
Investment in STAR Ohio		2,052,794
Total investments		\$ 5,033,663

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	\$ 5,607,277	\$	-
Investments of the cash management pool:			
Investment in STAR Ohio	(2,052,794)		2,052,794
Federal agency securities	(2,980,869)		2,980,869
Cash on hand	(250)		-
GASB Statement No. 3	\$ 573,364	\$	5,033,663

5. INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2004 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	\$ 113,827

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

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the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:		
Nonmajor governmental funds	\$	8,494
Adult education		179,635
Total	\$	188,129

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.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

- C.** Due from/to other funds consisted of the following at June 30, 2004, as reported on the fund statements:

Due From	Due To	Amount
Nonmajor governmental funds	Adult Education	\$ 3,048

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.

Amounts due from/to between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the statement of net assets.

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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 counties served by the Career Center. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three 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, 2004, are available to

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finance fiscal year 2004 operations. The amount available as an advance at June 30, 2004 was \$617,084 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, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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, 2004, was \$3.95 per \$1,000.00 of assessed value. The assessed values of real and tangible personal property for tax year 2003 are as follows:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$ 2,086,573,100	83.0 %	\$ 2,399,372,150	85.0 %
Public Utility Property	158,269,330	6.0 %	157,749,340	6.0 %
Tangible Personal Property	274,106,314	11.0 %	258,129,800	9.0 %
Total Assessed Valuation	<u>\$ 2,518,948,744</u>	<u>100.0 %</u>	<u>\$ 2,815,251,290</u>	<u>100.0 %</u>

7. RECEIVABLES

Receivables at June 30, 2004 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:

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Governmental Activities	
Taxes	\$ 6,794,543
Accounts	21,948
Intergovernmental	245,999
Accrued interest	<u>14,221</u>
Total	<u>\$ 7,076,711</u>

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

8. CAPITAL ASSETS

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

	Balance 06/30/03	Additions	Deductions	Balance 06/30/04
Capital assets, not being depreciated:				
Land	\$ 378,920	\$ -	\$ -	\$ 378,920
<i>Total capital assets, not being depreciated</i>	<u>378,920</u>	<u>-</u>	<u>-</u>	<u>378,920</u>
Capital assets, being depreciated:				
Buildings and improvements	4,203,649	-	-	4,203,649
Furniture/equipment	3,249,890	205,291	(92,363)	3,362,818
Vehicles	<u>262,262</u>	<u>38,866</u>	<u>-</u>	<u>301,128</u>
<i>Total capital assets, being depreciated</i>	<u>7,715,801</u>	<u>244,157</u>	<u>(92,363)</u>	<u>7,867,595</u>
Less: accumulated depreciation:				
Buildings and improvements	(2,915,653)	(83,304)	-	(2,998,957)
Furniture/equipment	(2,454,306)	(328,130)	86,911	(2,695,525)
Vehicles	<u>(144,190)</u>	<u>(29,361)</u>	<u>-</u>	<u>(173,551)</u>
<i>Total accumulated depreciation</i>	<u>(5,514,149)</u>	<u>(440,795)</u>	<u>86,911</u>	<u>(5,868,033)</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 2,580,572</u>	<u>\$ (196,638)</u>	<u>\$ (5,452)</u>	<u>\$ 2,378,482</u>

Depreciation expense was charged to governmental functions as follows:

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Instruction:	
Regular	\$ 16,596
Special	3,115
Vocational	235,692
Adult/continuing	43,981
Support Services:	
Pupil	2,114
Instructional Staff	4,589
Board of education	653
Administration	29,661
Fiscal	3,947
Business	1,482
Operations and Maintenance	13,141
Central	79,584
Non-instructional services	252
Food service operations	<u>5,988</u>
Total depreciation expense	<u><u>\$ 440,795</u></u>

9. LONG-TERM OBLIGATIONS

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

	Balance Outstanding 06/30/03	Additions	Reductions	Balance Outstanding 06/30/04	Amounts Due in One Year
Governmental Activities:					
Compensated absences	\$ 540,331	\$ 175,669	\$ -	\$ 716,000	\$ 71,908
Capital lease obligation	<u>32,177</u>	<u>-</u>	<u>(21,210)</u>	<u>10,967</u>	<u>10,089</u>
Total governmental activities	<u>\$ 572,508</u>	<u>\$ 175,669</u>	<u>\$ (21,210)</u>	<u>\$ 726,967</u>	<u>\$ 81,997</u>

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.

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

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 percent (25%) of the 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

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Association contract for administrators and as set forth in the OAPSE (Ohio Association of Public School Employees) contract non non-certified employees.

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.

B. Huron-Erie School Employees Insurance Association

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 13 member schools. The Career Center pays a monthly premium to the pool for health, prescription drug, and dental. 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 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.

In the event of withdrawal, the Career Center shall assume and be responsible for payment of all claims of its eligible employees, families, and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the Career Center.

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

C. Workers' Compensation Rating Plan

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.

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 10 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 2004, 9.09 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, 2004, 2003, and 2002 were \$137,334, \$141,958, and \$86,814, respectively. These contributions represent the required contributions for the respective fiscal year.

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Plan members are required to contribute 10 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 2004, 13 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, 2004, 2003, and 2002 were \$827,221, \$877,085, and \$580,628, 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, 2004, one member of the Board of Education has elected Social Security. The Career Center's liability is 6.2 percent of wages paid.

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 \$63,632 during fiscal 2004.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

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 4.91 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 2004, the minimum pay has been established at \$25,400. 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, 2004 were \$223.443 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the Career Center, the amount to fund health care benefits, including surcharge, equaled \$107,609 during the 2004 fiscal year.

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 and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

- (b) Expenditures and other financing uses 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).

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:

Net Change in Fund Balance		
	General Fund	Adult Education
Budget basis	\$ (112,096)	\$ (65,858)
Net adjustment for revenue accruals	101,825	(38,338)
Net adjustment for expenditure accruals	(142,627)	2,321
Net adjustment for other sources/uses	(70,891)	(1,623)
Adjustment for encumbrances	175,138	12,258
GAAP basis	\$ (48,651)	\$ (91,240)

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.

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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.

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.

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.

**EHOVE CAREER CENTER
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

	Textbooks/ Instructional Materials	Capital Maintenance	Budget Stabilization
Set-aside cash balance as of July 1, 2003	\$ (561,544)	\$ -	\$ 48,764
Current year set-aside requirement	112,753	112,753	-
Qualifying expenditures	<u>(265,982)</u>	<u>(289,065)</u>	<u>-</u>
Total	<u>\$ (714,773)</u>	<u>\$ (176,312)</u>	<u>\$ 48,764</u>
Balance carried forward to FY 2005	<u>\$ (714,773)</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, 2004, 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.

A schedule of the governmental fund restricted assets at June 30, 2004 follows:

Amount restricted for budget stabilization	<u>\$ 48,764</u>
--	------------------

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.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

During fiscal 2004, the Center purchased the leased copier with a remaining balance of \$11,894. The equipment's fair market value of \$20,472 will still be included in the capital assets balance.

Governmental activities capital assets consisting of adult education equipment have been capitalized in the amount of \$28,195. 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 2004 fiscal year totaled \$9,316 and \$1,284, 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, 2004:

<u>Year Ending June 30</u>	<u>Amount</u>
2005	\$ 10,601
2006	<u>884</u>
Total minimum lease payment	11,485
Less: amount representing interest	<u>(518)</u>
Present value of minimum lease payments	<u><u>\$ 10,967</u></u>

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**EHOVE CAREER CENTER
ERIE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

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	051029-LLP4-2003 051029-LLP4-2004	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>		
WIA Adult Program	051029-WFHS-2003 051029-WFHS-2004	17.258
Total WIA Adult Program		
Vocational Education - Basic Grants to States	051029-20A0-2003 051029-20A0-2004 051029-20A5-2003 051029-20A5-2004 051029-20C1-2002 051029-20C1-2003 051029-20C1-2004 051029-20C2-2002 051029-20C2-2003 051029-20C2-2004	84.048
Total Vocational Education - Basic Grants to States		
Safe and Drug-Free Schools and Communities - State Grants	051029-DRS1-2004	84.186
Vocational Education - Occupational and Employment Information - State Grants	OE00-2003 OE00-2004	84.346
Total Vocational Education - Occupational and Employment Information - State Grants		
Innovative Education Program Strategies	051029-C2S1-2003 051029-C2S1-2004	84.298
Total Innovative Education Program Strategies		
Improving Teacher Quality State Grants	051029-TRS1-2003 051029-TRS1-2004	84.367
Total Improving Teacher Quality State Grants		
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>
	\$ 6,191		\$ 6,546
\$ 4,553		\$ 4,553	
22,251		22,251	
26,804	6,191	26,804	6,546
<hr/>	<hr/>	<hr/>	<hr/>
371,974		371,974	
<hr/>	<hr/>	<hr/>	<hr/>
3,648		3,648	
40,926		45,490	
44,574		49,138	
<hr/>	<hr/>	<hr/>	<hr/>
3,000			
23,489		16,473	
2,250		34	
12,000		12,000	
<hr/>	<hr/>	<hr/>	<hr/>
48,297		26,764	
233,766		265,435	
<hr/>	<hr/>	<hr/>	<hr/>
12,448		7,398	
67,578		66,670	
402,828		394,774	
<hr/>	<hr/>	<hr/>	<hr/>
1,692		1,692	
<hr/>	<hr/>	<hr/>	<hr/>
300			
8,564		10,000	
<hr/>	<hr/>	<hr/>	<hr/>
8,864		10,000	
<hr/>	<hr/>	<hr/>	<hr/>
385			
5,696		5,696	
6,081		5,696	
<hr/>	<hr/>	<hr/>	<hr/>
394			
5,052		5,052	
<hr/>	<hr/>	<hr/>	<hr/>
5,446		5,052	
<hr/>	<hr/>	<hr/>	<hr/>
841,459		838,326	
\$ 868,263	\$ 6,191	\$ 865,130	\$ 6,546

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2004**

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 non-monetary 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 governmental activities, each major fund, and the aggregate remaining fund information of the EHOVE Career Center (the Career Center) as of and for the year ended June 30, 2004, which collectively comprise the Career Center's basic financial statements and have issued our report thereon dated January 12, 2005. 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 tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the Career Center's management in a separate letter dated January 12, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Career Center's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions 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 the Career Center's management in a separate letter dated January 12, 2005.

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

January 12, 2005



**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, 2004. The Career Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of finding. 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.

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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, 2004.

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, the 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

January 12, 2005

**EHOVE CAREER CENTER
ERIE COUNTY**

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004

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 Programs (list):	Vocational Education Basic Grants to States (CFDA # 84.048)
<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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**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
FEBRUARY 22, 2005**