



**Auditor of State
Betty Montgomery**

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Portage Lakes Career Center
Summit County
4401 Shriver Road
P.O. Box 248
Green, Ohio 44232-0248

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 Portage Lakes Career Center, Summit County, Ohio, (the Center) as of and for the year ended June 30, 2004, which collectively comprise the Center's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 Portage Lakes Career Center, Summit County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General and Adult Education Long Term Program for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the Center implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Additionally, as described in Note 3, the Center increased the capital assets capitalization threshold.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2005, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The Federal Awards Receipts and Expenditures 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 Receipts and Expenditures 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

June 24, 2005

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of the Portage Lakes Career Center's (the Career Center's) 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 performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Career Center's financial performance.

Financial Highlights

Key Financial Highlights for 2004 are as follows:

- General Revenues accounted for \$5.7 million in revenue or 73.6% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$2.1 million or 26.4% of total revenues of \$7.8 million.
- Total program expenses were \$7.1 million in Governmental Activities.
- In total, net assets of Governmental Activities increased approximately \$.7 million, which represents a 8.8% increase from 2003.

Using this Annual Report

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole Career Center, presenting both an aggregate view of the Career Center's finances 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. Also, the fund financial statements highlight the Career Center's most significant funds with all other nonmajor funds presented in total in one column. The Career Center has three major funds. They are the general fund, the replacement fund, and the adult education-long term programs fund.

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 fiscal year 2004?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds 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.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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 which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the Career Center activities are listed as Governmental:

- Governmental Activities – All of the Career Center's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, adult education, and extracurricular activities.

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 financial transactions. However, these fund financial statements focus on the Career Center's most significant funds. The Career Center's major governmental funds are the general fund, replacement fund, and adult education – long term programs.

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 that can readily be converted to cash. The governmental fund 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 financial statements.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The Career Center as a Whole

Recall that the Statement of Net Assets provides the perspective of the Career Center as a whole.

Table 1 provides a summary of the Career Center's net assets for 2004 compared to 2003:

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$ 11,808,451	\$ 9,999,523
Capital Assets	2,708,996	2,832,002
Total Assets	14,517,447	12,831,525
Liabilities		
Long-Term Liabilities	1,641,474	712,000
Other Liabilities	3,635,927	3,627,440
Total Liabilities	5,277,401	4,339,440
Net Assets		
Invested in Capital		
Assets Net of Debt	2,348,996	2,786,002
Restricted	2,603,148	2,277,389
Unrestricted	4,287,902	3,428,694
Total Net Assets	\$ 9,240,046	\$ 8,492,085

Total net assets increased by approximately \$.7 million. Total assets increased \$1.7 million and liabilities increased \$.9 million. Restricted net assets increased \$.3 million, unrestricted net assets increased .9 million, and invested in capital assets net of related debt decreased \$.4 million.

Table 2 shows the changes in net assets for fiscal year 2004. Since this is the first year the Career Center has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities <u>2004</u>
Revenues	
<i>Program Revenues:</i>	
Charges for Services	\$ 1,509,009
Operating Grants	551,663
<i>General Revenue:</i>	
Property Taxes	2,913,523
Grants and Entitlements	2,669,791
Other	<u>157,905</u>
<i>Total Revenues</i>	7,801,891
Program Expenses	
Instruction	4,345,549
Support Services	2,694,046
Operation of Non-Instructional	950
Extracurricular Activities	11,200
Interest and Fiscal Charges	<u>2,185</u>
<i>Total Expenses</i>	<u>7,053,930</u>
Increase in Net Assets	<u><u>\$ 747,961</u></u>

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements. Net assets of the Career Center's governmental activities increased \$747,961. Total governmental expenses of \$7,053,930 were offset by program revenues of \$2,060,672 and general revenues of \$5,741,219. Comparisons to 2003 have not been made since they are not available.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

(Table 3)
Governmental Activities

	2004	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 4,345,549	\$ 2,522,692
Support Services:		
Pupil and Instructional Staff	567,982	349,738
Board of Education, Administration and Fiscal	1,111,639	1,096,995
Operation and Maintenance of Plant	960,440	960,440
Pupil Transportation and Central	53,985	53,985
Operation of Non-Instructional Services	950	950
Extracurricular Activities	11,200	6,273
Interest Charges	2,185	2,185
	<u>\$ 7,053,930</u>	<u>\$ 4,993,258</u>
Total	<u>\$ 7,053,930</u>	<u>\$ 4,993,258</u>

Instruction and Student Support Services comprise 69.7% of governmental program expenses. Administration and the operation/maintenance of plant account for 29.4% of governmental program expenses.

The Career Center's Funds

As of the end of the current fiscal year, the Career Center's governmental funds reported combined ending fund balances of \$7,668,584, an increase of \$1.7 million from 2003. The general fund had an increase of \$896,970 due to the Career Center's reduction of staff. As staff members leave they are not replaced due to the fear that guarantee money from the state will be cut without notice. Supplemental equipment dollars from the state have been lost so all spending on equipment from the general fund was stopped. Other areas of budget cuts include supplies, mileage reimbursements, etc. The adult education-long term programs fund increased \$137,684 due to an increase in fees and a yearly transfer of \$50,000 from the general fund. In order for the adult education program to remain a full service center, the Career Center must transfer \$50,000 to the adult education program each year, regardless of their profitability.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal year 2004, there were minor changes to the Career Center's total general fund budget. The Career Center uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budget basis revenue was approximately \$6.5 million. The Career Center's general fund revenue exceeded the expenditures by over \$1 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the Career Center had \$5.8 million invested in land, buildings, equipment, and vehicles. Table 4 shows fiscal year 2004 balances compared with 2003 net of depreciation.

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

	Governmental Activities	
	2004	2003
Land	\$ 147,500	\$ 147,500
Buildings and Improvements	2,269,344	2,338,112
Furniture and Equipment	284,325	336,997
Vehicles	7,827	9,393
Totals	\$ 2,708,996	\$ 2,832,002

The approximately \$.1 million decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

Debt

At June 30, 2004, the Career Center had improvement loans totaling \$860,000 with \$69,333 due within one year. During fiscal year 2004, \$46,000 of general obligation bonds were retired. Table 5 summarizes bonds and loans outstanding.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

(Table 5)
Outstanding Debt at June 30

	2004	2003
General Obligation Bonds:		
1996 Energy Conservation	\$ 0	\$ 46,000
Loans Payable:		
Improvement Note	360,000	0
Vocation School Building Assistance	500,000	0
	860,000	0
 Total Debt	 \$ 860,000	 \$ 46,000

The proceeds of the loans were utilized for the replacement of the roof flashing, new carpet for the entire building, air conditioning, and the repayment of the HB264 loan.

Current Issues

Portage Lakes Career Center receives approximately 52% of its revenue from the State. The Career Center does receive additional revenue for being on the state guarantee. In FY'04 this revenue for the guarantee was \$651,685. The Career Center also receives a large amount of revenue in open enrollment from the four districts served. In FY'04 the open enrollment amount was \$527,468. Enrollment has remained steady for the past several years.

The Career Center, in turn, relies on its local property taxpayers for the four districts served. The only operating levy was passed in 1983, for 4.35 mills, on a continuing basis. There are no new proposed levies for the forecast period.

The five-year forecast projects a steady \$5 million carryover in the general fund for the next five years. This is contingent on the state guarantee remaining in place.

The Career Center's systems of budgeting and internal controls are well regarded. All of the Career Center's financial abilities will be needed to meet the challenges of the future.

Contacting the Career Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 any questions about this report or need additional financial information, contact Eydie Snowberger, Treasurer of Portage Lakes Career Center, 4401 Shriver Road, P.O. Box 248, Green, Ohio 44232-0248.

Portage Lakes Career Center

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 8,611,637
Receivables:	
Taxes	3,010,051
Accounts	28,234
Intergovernmental	84,439
Materials and Supplies Inventory	14,221
Prepaid Items	59,869
Nondepreciable Capital Assets	147,500
Depreciable Capital Assets (Net)	<u>2,561,496</u>
<i>Total Assets</i>	<u>14,517,447</u>
Liabilities	
Accounts Payable	25,550
Accrued Wages and Benefits	607,535
Intergovernmental Payable	88,439
Deferred Revenue	2,819,240
Claims Payable	95,163
Long Term Liabilities:	
Due Within One Year	86,520
Due Within More Than One Year	<u>1,554,954</u>
<i>Total Liabilities</i>	<u>5,277,401</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,348,996
Restricted for:	
Debt Service	49,500
Capital Projects	1,700,000
Other Purposes	853,648
Unrestricted	<u>4,287,902</u>
<i>Total Net Assets</i>	<u>\$ 9,240,046</u>

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 382,905	\$ 0	\$ 0	\$ (382,905)
Special	140,434	0	0	(140,434)
Vocational	2,856,018	690,358	44,544	(2,121,116)
Adult Continuing	956,141	813,724	274,231	131,814
Other	10,051	0	0	(10,051)
Support Services:				
Pupils	426,408	0	212,247	(214,161)
Instructional Staff	141,574	0	5,997	(135,577)
Board of Education	39,684	0	0	(39,684)
Administration	694,051	0	9,644	(684,407)
Fiscal	377,904	0	5,000	(372,904)
Operation and Maintenance of Plant	960,440	0	0	(960,440)
Pupil Transportation	33,244	0	0	(33,244)
Central	20,741	0	0	(20,741)
Operation of Non-Instructional Services	950	0	0	(950)
Extracurricular Activities	11,200	4,927	0	(6,273)
Interest and Fiscal Charges	2,185	0	0	(2,185)
<i>Total Governmental Activities</i>	<u>\$ 7,053,930</u>	<u>\$ 1,509,009</u>	<u>\$ 551,663</u>	<u>(4,993,258)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	2,913,523
Grants and Entitlements not	
Restricted to Specific Programs	2,669,791
Gifts and Donations	1,300
Investment Earnings	74,355
Miscellaneous	82,250
<i>Total General Revenues</i>	<u>5,741,219</u>
<i>Change in Net Assets</i>	747,961
<i>Net Assets Beginning of Year (restated)</i>	<u>8,492,085</u>
<i>Net Assets End of Year</i>	<u>\$ 9,240,046</u>

Portage Lakes Career Center
Balance Sheet
Governmental Funds
June 30, 2004

	General	Replacement Fund	Adult Education - Long Term Programs	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 4,890,024	\$ 1,700,000	\$ 507,257	\$ 962,583	\$ 8,059,864
Restricted Cash	52,489	0	0	0	52,489
Receivables:					
Taxes	3,010,051	0	0	0	3,010,051
Accounts	28,234	0	0	0	28,234
Interfund	40,989	0	0	0	40,989
Intergovernmental	8,772	0	38,621	37,046	84,439
Materials and Supplies Inventory	14,221	0	0	0	14,221
Prepaid Items	53,125	0	5,767	977	59,869
<i>Total Assets</i>	<u>\$ 8,097,905</u>	<u>\$ 1,700,000</u>	<u>\$ 551,645</u>	<u>\$ 1,000,606</u>	<u>\$ 11,350,156</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 23,532	\$ 0	\$ 137	\$ 1,881	\$ 25,550
Accrued Wages and Benefits	574,270	0	29,663	3,602	607,535
Interfund Payable	0	0	1,689	39,300	40,989
Intergovernmental Payable	68,859	0	2,901	256	72,016
Deferred Revenue	2,904,148	0	0	31,334	2,935,482
<i>Total Liabilities</i>	3,570,809	0	34,390	76,373	3,681,572
Fund Balances					
Fund Balance:					
Reserved for Encumbrances	211,513	0	8,830	51,319	271,662
Reserved for Tax Revenue Unavailable for Appropriation	105,903	0	0	0	105,903
Reserved for Textbooks and Instructional Materials	13,782	0	0	0	13,782
Reserved for Bureau Workers Compensation	38,707	0	0	0	38,707
Designated for Budget Stabilization	93,309	0	0	0	93,309
Unreserved:					
Undesignated, Unreserved Reported in:					
General Fund	4,063,882	0	0	0	4,063,882
Special Revenue Funds	0	0	508,425	372,914	881,339
Capital Projects Funds	0	1,700,000	0	500,000	2,200,000
<i>Total Fund Balances</i>	<u>4,527,096</u>	<u>1,700,000</u>	<u>517,255</u>	<u>924,233</u>	<u>7,668,584</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 8,097,905</u>	<u>\$ 1,700,000</u>	<u>\$ 551,645</u>	<u>\$ 1,000,606</u>	<u>\$ 11,350,156</u>

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances	\$	7,668,584
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		2,708,996
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	31,334	
Delinquent Property Taxes	84,908	116,242
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets		404,121
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Loans Payable		(860,000)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(781,474)	
Pension Obligation	(16,423)	(797,897)
<i>Net Assets of Governmental Activities</i>	\$	9,240,046

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Replacement Fund	Adult Education - Long Term Programs	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,828,615	\$ 0	\$ 0	\$ 0	\$ 2,828,615
Intergovernmental	2,669,791	0	274,231	246,098	3,190,120
Investment Income	74,355	0	0	0	74,355
Tuition and Fees	565,226	0	623,339	185,635	1,374,200
Extracurricular Activities	0	0	0	4,927	4,927
Charges for Services	125,132	0	0	0	125,132
Rentals	0	0	4,750	0	4,750
Gifts and Donations	1,300	0	0	0	1,300
Miscellaneous	81,652	0	198	400	82,250
<i>Total Revenues</i>	<u>6,346,071</u>	<u>0</u>	<u>902,518</u>	<u>437,060</u>	<u>7,685,649</u>
Expenditures:					
Current:					
Instruction:					
Regular	331,780	0	0	0	331,780
Special	136,437	0	0	0	136,437
Vocational	2,657,719	0	0	41,482	2,699,201
Adult Continuing	0	0	814,834	133,764	948,598
Other	10,051	0	0	0	10,051
Support Services:					
Pupils	210,351	0	0	206,559	416,910
Instructional Staff	128,943	0	0	9,145	138,088
Board of Education	39,684	0	0	0	39,684
Administration	667,001	0	0	10,029	677,030
Fiscal	359,013	0	0	7,892	366,905
Operation and Maintenance of Plant	591,295	0	0	360,112	951,407
Pupil Transportation	33,244	0	0	0	33,244
Central	20,284	0	0	0	20,284
Extracurricular Activities	4,183	0	0	7,017	11,200
Capital Outlay	9,928	0	0	0	9,928
Debt Service:					
Principal Retirement	0	0	0	46,000	46,000
Interest and Fiscal Charges	0	0	0	2,185	2,185
<i>Total Expenditures</i>	<u>5,199,913</u>	<u>0</u>	<u>814,834</u>	<u>824,185</u>	<u>6,838,932</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,146,158	0	87,684	(387,125)	846,717
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	424	0	0	0	424
Proceeds from Loans	0	0	0	860,000	860,000
Transfers In	0	150,000	50,000	49,612	249,612
Transfers Out	(249,612)	0	0	0	(249,612)
<i>Total Financing Sources and (Uses)</i>	<u>(249,188)</u>	<u>150,000</u>	<u>50,000</u>	<u>909,612</u>	<u>860,424</u>
<i>Net Change in Fund Balance</i>	896,970	150,000	137,684	522,487	1,707,141
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>3,630,126</u>	<u>1,550,000</u>	<u>379,571</u>	<u>401,746</u>	<u>5,961,443</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 4,527,096</u>	<u>\$ 1,700,000</u>	<u>\$ 517,255</u>	<u>\$ 924,233</u>	<u>\$ 7,668,584</u>

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
Reconciliation of the 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	\$	1,707,141
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	2,811	
Current Year Depreciation	(111,285)	(108,474)
Net effect of transactions involving sale of capital assets are not reflected in the funds.		(14,532)
Proceeds from loans reported in governmental funds are not reported as revenues in the statement of activities since this provides current financial resources to governmental funds.		
Proceeds from Loans		(860,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	31,334	
Delinquent Property Taxes	84,908	116,242
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities.		(6,519)
Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Loan Principal		46,000
Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(115,474)	
Pension Obligation	(16,423)	(131,897)
Change in Net Assets of Governmental Activities	\$	747,961

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,942,011	\$ 2,899,007	\$ 2,949,254	\$ 50,247
Intergovernmental	2,661,617	2,651,068	2,668,169	17,101
Investment Income	74,172	67,287	74,355	7,068
Tuition and Fees	569,458	516,599	570,860	54,261
Charges for Services	124,825	113,238	125,132	11,894
Gifts and Donations	1,297	1,176	1,300	124
Miscellaneous	103,659	94,037	103,914	9,877
<i>Total Revenues</i>	6,477,039	6,342,412	6,492,984	150,572
Expenditures:				
Current:				
Instruction:				
Regular	342,911	348,011	327,771	20,240
Special	144,725	143,625	134,948	8,677
Vocational	2,946,760	2,773,244	2,741,476	31,768
Other	9,400	12,400	13,150	(750)
Support Services:				
Pupils	302,882	222,017	212,513	9,504
Instructional Staff	165,162	149,962	148,688	1,274
Board of Education	47,400	42,700	36,582	6,118
Administration	747,828	712,763	677,025	35,738
Fiscal	367,619	380,444	367,028	13,416
Operation and Maintenance of Plant	627,003	619,003	602,300	16,703
Pupil Transportation	40,000	35,000	35,280	(280)
Central	37,150	29,225	27,018	2,207
Extracurricular Activities	5,450	4,900	4,195	705
Capital Outlay	51,130	172,970	151,840	21,130
<i>Total Expenditures</i>	5,835,420	5,646,264	5,479,814	166,450
Excess of Revenues Over (Under) Expenditures	641,619	696,148	1,013,170	317,022
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	423	384	424	40
Refund of Prior Year Expenditures	26	24	26	2
Advances In	42,419	38,481	42,523	4,042
Transfers Out	(249,500)	(374,500)	(249,612)	124,888
Advances Out	(50,000)	(70,000)	(69,701)	299
<i>Total Other Financing Sources (Uses)</i>	(256,632)	(405,611)	(276,340)	129,271
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	384,987	290,537	736,830	446,293
<i>Fund Balance (Deficit) at Beginning of Year</i>	3,939,152	3,939,152	3,939,152	0
Prior Year Encumbrances Appropriated	31,488	31,488	31,488	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ 4,355,627	\$ 4,261,177	\$ 4,707,470	\$ 446,293

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Adult Education - Long Term Programs
 For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 186,502	\$ 186,502	\$ 235,893	\$ 49,391
Tuition and Fees	492,861	492,861	623,384	130,523
Rent	3,755	3,755	4,750	995
Miscellaneous	190	190	240	50
<i>Total Revenues</i>	<u>683,308</u>	<u>683,308</u>	<u>864,267</u>	<u>180,959</u>
Expenditures:				
Current:				
Instruction:				
Adult Continuing	874,102	853,445	830,675	22,770
<i>Total Expenditures</i>	<u>874,102</u>	<u>853,445</u>	<u>830,675</u>	<u>22,770</u>
Excess of Revenues Over (Under) Expenditures	(190,794)	(170,137)	33,592	203,729
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	33	33	42	9
Transfers In	39,531	39,531	50,000	10,469
Advances In	2,128	2,128	2,691	563
Advances Out	(2,700)	(3,700)	(3,700)	0
<i>Total Other Financing Sources (Uses)</i>	<u>38,992</u>	<u>37,992</u>	<u>49,033</u>	<u>11,041</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(151,802)	(132,145)	82,625	214,770
<i>Fund Balance (Deficit) at Beginning of Year</i>	404,753	404,753	404,753	0
Prior Year Encumbrances Appropriated	10,912	10,912	10,912	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 263,863</u>	<u>\$ 283,520</u>	<u>\$ 498,290</u>	<u>\$ 214,770</u>

See accompanying notes to the basic financial statements.

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Portage Lakes Career Center
Statement of Net Assets
Proprietary Fund
June 30, 2004

	Governmental Activities Internal Service Fund
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 499,284
<i>Total Assets</i>	<u>499,284</u>
Liabilities	
Current Liabilities:	
Claims Payable	<u>95,163</u>
<i>Total Liabilities</i>	<u>95,163</u>
Net Assets	
Unrestricted	<u>404,121</u>
<i>Total Net Assets</i>	<u>\$ 404,121</u>

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2004

	Governmental Activities Internal Service Fund
Operating Revenues:	
Sales/Charges for Services	\$ 744,237
<i>Total Operating Revenues</i>	744,237
Operating Expenses:	
Purchased Services	149,758
Claims	600,998
<i>Total Operating Expenses</i>	750,756
<i>Change in Net Assets</i>	(6,519)
<i>Net Assets (Deficit) Beginning of Year</i>	410,640
<i>Net Assets (Deficit) End of Year</i>	\$ 404,121

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2004

		Governmental Activities Internal Service Fund
Cash Flows From Operating Activities:		
Cash Received from Sales/Charges for Services	\$	744,237
Cash Paid for Services		(149,758)
Cash Paid for Claims		(555,491)
		<hr/>
<i>Net Cash Provided By (Used For) Operating Activities</i>		38,988
		<hr/>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>		38,988
		<hr/>
<i>Cash and Cash Equivalents at Beginning of Year</i>		460,296
		<hr/>
<i>Cash and Cash Equivalents at End of Year</i>	\$	<u>499,284</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss)	\$	(6,519)
Adjustments:		
Increase (Decrease) in Liabilities		
Claims Payable		45,507
		<hr/>
<i>Total Adjustments</i>		45,507
		<hr/>
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$	<u>38,988</u>

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 96,552
<i>Total Assets</i>	<u>\$ 96,552</u>
Liabilities	
Accounts Payable	\$ 27,712
Due to Students	41,267
Undistributed Monies	<u>27,573</u>
<i>Total Liabilities</i>	<u>\$ 96,552</u>

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 1 - Description of the Career Center and Reporting Entity

The Portage Lakes Joint Vocational School also known as the Portage Lakes Career Center is a vocational high school.

Joint Vocational Career Centers were created by the legislature as one means by which a Career Center can meet its obligation under law to make a vocational education program available to all of its students. The Career Center has four member districts. They are: Green Local, Manchester Local, Springfield Local, and Coventry Local Schools.

The Portage Lakes Career Center's Board of Education consists of nine board members. Each local Career Center is represented by two board members elected from the membership of their local board. Green Local Schools are represented by three board members. Each year the member districts elect or assign board members to represent their board on the vocational school's board of education.

Reporting Entity

The Portage Lakes Career Center (the Career Center) is a Career Center corporation governed by an appointed Board of Education. The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the 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.

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

The Career Center participates in two jointly governed organizations and one public entity risk pool. These organizations are the Northeast Ohio Network for Educational Technology, the Interval Opportunity School, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 10 and 15 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Career Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

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

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

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Replacement Fund This fund accounts for transactions made in connection with rebuilding, restoring or improving property which has become unfit for use.

Adult Education Fund This fund accounts for transactions made in connection with adult education.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The following is the Career Center's proprietary fund type:

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Career Center on a cost reimbursement basis. The Career Center's only internal service fund accounts for a self-insurance program for employee health benefits.

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. Agency funds 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.

C. Measurement Focus

Government-wide Financial Statements 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. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

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

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

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

D. Basis of Accounting

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

Revenues - Exchange and 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 the fiscal year-end.

Nonexchange transactions, in which the Career Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Career Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Career Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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.

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

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

E. Cash and Cash Equivalents

To improve cash management, all cash received by the Career Center is pooled. Monies for all funds, including the internal service fund, are maintained in this pool. Individual fund integrity is maintained through Career Center records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statement.

During fiscal year 2004, investments were limited to repurchase agreements and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Certificates of deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$74,355 which includes \$29,224 assigned from other Career Center funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the Career Center are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

F. Capital Assets

All capital assets of the Career Center are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 \$2,500. 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 expensed.

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>
Land	N/A
Buildings and Improvements	30 - 60 Years
Furniture and Fixtures	5 - 20 Years
Vehicles	8 - 15 Years

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

G. Interfund Balances

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

H. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

I. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits 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 fiscal year.

J. 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 borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Career Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

K. Fund Balance Reserves

The Career Center reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, property taxes, textbooks and instructional materials, capital improvements, and budget stabilization.

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

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Career Center, these revenues are sales and charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

M. Interfund Activity

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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 funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

N. Estimates

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

O. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the fund level for all funds. Budgetary modifications 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 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 the County Budget Commission for rate determination.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the Career Center by March 1. As part of the certification, the Career Center receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the Career Center must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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 appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

Note 3 - Change in Accounting Principle and Restatement of Fund Balances/Net Assets

Changes in Accounting Principles For fiscal year 2004, the Career Center has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

Portage Lakes Career Center
Notes to the Basic Financial Statements
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GASB 34 creates new basic financial statements for reporting on the Career Center's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by elimination of the internal service fund and the conversion to the accrual basis of accounting.

The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Replacement Fund	Adult Education	Nonmajor	Governmental Activities Total
Fund Balances, June 30, 2003	\$ 3,630,126	\$ 1,550,000	\$ 379,571	\$ 401,746	\$ 5,961,443
GASB 34 Adjustments:					
Capital Assets					2,832,002
Compensated Absences					(666,000)
Internal Service Fund					410,640
Long-Term Debt					(46,000)
Governmental Activities Net Assets, June 30, 2003					\$ 8,492,085

Restatement of Capital Assets The capitalization threshold was changed from \$500 to \$2,500 which resulted in a change in the capital assets.

	Capital Assets
Balance June 30, 2003	\$ 6,981,080
Adjustment for threshold change	(1,115,357)
	5,865,723
Less accumulated depreciation	(3,033,721)
Balance June 30, 2003	\$ 2,832,002

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 4 - Fund Deficits

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

	<u>Deficit</u>
Other Governmental Funds:	
Career Development Grant	\$ 2,253
Vocational Education	33,908

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

Note 5 - Budgetary Basis of Accounting

While the Career Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the General Fund and Adult Education-Long Term Programs Special Revenue Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund and adult education fund.

Portage Lakes Career Center
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For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balance

	General Fund	Adult Education- Long Term Programs
GAAP Basis	\$ 896,970	\$ 137,684
Net Adjustment for Revenue Accruals	146,939	(38,209)
Advance In	42,523	2,691
Net Adjustment for Expenditure Accruals	(44,856)	(6,874)
Advance Out	(69,701)	(3,700)
Adjustment for Encumbrances	(235,045)	(8,967)
Budget Basis	\$ 736,830	\$ 82,625

Note 6 - Deposits and Investments

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

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

Protection of Career Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial 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 to 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 and interest by the United States;

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two 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 Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits At fiscal year-end, the carrying amount of the Career Center's deposits was \$8,393,189 and the bank balance was \$7,932,333. Of the bank balance:

1. \$300,000 of the bank balance was covered by depository insurance; and
 2. \$7,632,333 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Career Center to a successful claim by the FDIC.
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Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Investments GASB Statement No. 3 requires the Career Center's investments to be categorized to give an indication of the level of custodial credit risk assumed by the Career Center at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Career Center or its agent in the Career Center's name. Category 2 includes uninsured and unregistered investments which 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 or agent but not in the Career Center's name.

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$ 315,000	\$ 315,000	\$ 315,000

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Career Center. Real property tax revenue received in calendar 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, 2004, 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-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Career Center prior to June 30.

The Summit County Fiscal Officer periodically advances to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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.

The amount available as an advance at June 30, 2004 was \$105,903 and is recognized as revenue in the general fund.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	Valuation	%	Amount	%
Real Property				
Residential/Agricultural	\$ 1,049,758,890	72.06%	\$ 1,060,621,370	72.70%
Commerical/Industrial	252,090,450	17.31%	256,321,380	17.57%
Tangible Personal Property				
General	117,962,239	8.10%	105,452,582	7.23%
Public Utilities	36,779,970	2.53%	36,506,800	2.50%
Total Assessed Valuation	<u>\$ 1,456,591,549</u>	<u>100.00%</u>	<u>\$ 1,458,902,132</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$4.35		 \$4.35	

Note 8 - Receivables

Receivables at June 30, 2004, consisted of taxes, accounts (student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Intergovernmental receivables consisted of \$84,439 in various funds for operating grants.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 9 - Capital Assets

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

	Restated Balance 6/30/03	Additions	Reductions	Balance 6/30/04
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 147,500	\$ 0	\$ 0	\$ 147,500
<i>Capital Assets, being depreciated:</i>				
Buildings	4,126,080	0	0	4,126,080
Furniture and Equipment	1,568,660	2,811	(56,592)	1,514,879
Vehicles	23,483	0	0	23,483
	<u>5,718,223</u>	<u>2,811</u>	<u>(56,592)</u>	<u>5,664,442</u>
Total Capital Assets, being depreciated				
	5,718,223	2,811	(56,592)	5,664,442
Less Accumulated Depreciation:				
Buildings	(1,787,968)	(68,768)	0	(1,856,736)
Furniture and Equipment	(1,231,663)	(40,951)	42,060	(1,230,554)
Vehicles	(14,090)	(1,566)	0	(15,656)
	<u>(3,033,721)</u>	<u>(111,285)</u>	<u>42,060</u>	<u>(3,102,946)</u>
Total Accumulated Depreciation				
	(3,033,721)	(111,285)	42,060	(3,102,946)
Total Capital Assets being depreciated, net	<u>2,684,502</u>	<u>(108,474)</u>	<u>(14,532)</u>	<u>2,561,496</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 2,832,002</u>	<u>\$ (108,474)</u>	<u>\$ (14,532)</u>	<u>\$ 2,708,996</u>

Portage Lakes Career Center
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For the Fiscal Year Ended June 30, 2004

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction:	
Regular	\$ 31,749
Vocational	70,334
Adult Education	1,309
Support Services:	
Pupil	0
Instructional Staff	1,197
Administration	2,210
Fiscal	1,024
Operation and Maintenance of Plant	2,513
Operation of Non-Instructional Services	949
	<hr/>
Total Depreciation	\$ 111,285

Note 10 - Risk Management

A. Property and Liability

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 real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. Settled claims have not exceeded this coverage in any of the past three years.

B. Workers' Compensation

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

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. The workers' compensation experience of the participating Career Centers is calculated as one experience and a common premium rate is applied to all Career Centers in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Career Centers that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

C. Employee Medical Benefits

The Career Center has established a medical self-insurance fund which is accounted for in an internal service fund. The purpose of this fund is to pay medical and dental claims of the Career Center's employees and their covered dependents and minimize the total cost of medical insurance to the Career Center. For the plan year ended June 30, 2004, the greater of medical claims exceeding \$40,000 per covered individual per year, or 90% of the first monthly aggregate deductible for a policy year multiplied by 12, are covered through private insurance carriers. The self-insurance fund is funded by expenditures for health insurance out of the general fund.

The claims liability of \$95,163 reported in the internal service fund at June 30, 2004 is based on the requirements of Government Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost, including estimates of cost relating to incurred but not reported claims, be reported. Changes in the fund's claims liability amount in fiscal year 2004 were:

		<u>Balance at</u> <u>Beginning of Year</u>		<u>Current Year</u> <u>Claims</u>		<u>Claim</u> <u>Payments</u>		<u>Balance at</u> <u>End of Year</u>
2004	\$	49,656	\$	600,998	\$	555,491	\$	95,163
2003	\$	48,174	\$	800,863	\$	799,381	\$	49,656

Note 11 – Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Teachers do not earn vacation time. Administrators employed to work 260 days per year can earn twenty days of vacation annually. Accumulated unpaid vacation is limited to the amount earned during one year. Employees are paid one hundred percent of their accumulated unpaid vacation when they terminate their employment for any reason.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 260 days. Employees shall receive severance pay equal to 25% of up to 260 accumulated for a maximum of 65 days.

Note 12- Defined Benefit Pension Plans

A. School Employees Retirement System

The Career Center contributes to the School Employees Retirement System (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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That 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.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Plan members are required to contribute 10% 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% 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% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% 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 Career Center's required contributions to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$100,041, \$98,529 and \$94,437 respectively; 100% has been contributed for fiscal years 2004, 2003 and 2002.

B. State Teachers Retirement System

The Career Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly available stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 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% 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.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The Career Center was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Portage Lakes Career Center
Notes to the Basic Financial Statements
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The Career Center's required contributions to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$451,441, \$415,399, and \$431,266 respectively; 86% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$4,742 made by the Career Center and \$4,976 made by the plan members.

Note 13 - Postemployment Benefits

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the Career Center, this amount equaled \$29,900 during the 2004 fiscal year.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, the health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five 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% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll, a decrease of 0.92% from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between 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. For the Career Center, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$37,384.

The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 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. SERS had approximately 62,000 participants currently receiving health care benefits.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 14 - Long - Term Obligations

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

	Outstanding 6/30/03	Additions	Reductions	Outstanding 6/30/04	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Energy Conservation Bond					
Due 7/16/03 4.75%	\$ 46,000	\$ 0	\$ 46,000	\$ 0	\$ 0
Loans Payable:					
Improvement Note					
Due 7/15/13 3.75%	0	360,000	0	360,000	36,000
Vocational School Building Assistance					
Due 6/24/19 0%	0	500,000	0	500,000	33,333
	<u>0</u>	<u>860,000</u>	<u>0</u>	<u>860,000</u>	<u>69,333</u>
Compensated Absences	666,000	131,081	15,607	781,474	17,187
Total Governmental Activities Long-Term Liabilities	<u>\$ 712,000</u>	<u>\$ 991,081</u>	<u>\$ 61,607</u>	<u>\$ 1,641,474</u>	<u>\$ 86,520</u>

The Career Center borrowed \$360,000 under the HB264 Energy Grant to replace all HVAC units. The Career Center also received a \$500,000 interest free loan from the Vocational School Assistance Building Fund which was subsequently used to pay off the improvement note.

Principal and interest requirements to retire loans outstanding at June 30, 2004 are as follows:

Fiscal Year Ending June 30,	Loans		
	Principal	Interest	Total
2005	\$ 69,333	\$ 13,500	\$ 82,833
2006	69,333	12,150	81,483
2007	69,333	10,800	80,133
2008	69,333	9,450	78,783
2009	69,333	8,100	77,433
2010 - 2014	346,665	21,600	368,265
2015 - 2019	166,670	0	166,670
Totals	<u>\$ 860,000</u>	<u>\$ 75,600</u>	<u>\$ 935,600</u>

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 15 - Jointly Governed Organizations

A. Northeastern Ohio Network for Educational Technology

The Northeastern Ohio Network for Educational Technology (NEONET) is a jointly governed organization comprised of 17 Career Centers. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports NEONET based on a per pupil charge dependent upon the software package utilized. The NEONET assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEONET is governed by a board of directors chosen from the general membership of the NEONET assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center which serves as fiscal agent, located at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2004, the Career Center paid approximately \$5,644 to NEONET for basic service charges.

B. Interval Opportunity School

The Interval Opportunity School (the School) is a jointly governed organization made up of six area public Career Centers. The function of the School is to provide “at risk students” with possibly a last and a better opportunity to succeed in both their academic and social maturation. Each member district pays an annual fee based on the number of students serviced by the school. The Career Center paid \$15,000 to the School in fiscal year 2004 for services. The School is governed by a Board of Directors comprised of each Superintendent from Coventry, Green and the Career Center. The Coventry Local Career Center serves as the fiscal agent of the School. The continued existence of the School is not dependent on the Career Center’s continued participation and no equity interest exists.

Note 16 – Contingencies

A. Grants

The Career Center received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Career Center at June 30, 2004.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 17 - Interfund Transfers

Transfers made during fiscal year 2004 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 0	\$ 249,612
Replacement Fund	150,000	0
Adult Education - Long Term Programs	50,000	0
Debt Service	49,500	0
State Energy Conservation Program	112	0
Total	<u>\$ 249,612</u>	<u>\$ 249,612</u>

These transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

Note 18 - Interfund Balances

Interfund balances at June 30, 2004 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 40,989	\$ 0
Adult Education - Long Term Programs	0	1,689
Career Development	0	2,253
Vocational Education	0	31,335
Title V	0	2,640
Drug Free	0	590
Improving Teacher Quality	0	488
Miscellaneous Federal Grants	0	1,994
	<u>\$ 40,989</u>	<u>\$ 40,989</u>

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2004, all interfund payables outstanding are anticipated to be repaid in fiscal year 2005.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 19 – Operating Lease

The Career Center leases copiers under a non-cancelable operating lease. The following is a schedule of future minimum rental payments required under the above operating lease as of June 30, 2004:

Year Ending June 30,	Amount
2005	\$ 4,678
2006	4,678
2007	780
	<u>\$ 10,136</u>

Rental expense amounted to \$4,678 for the year ended June 30, 2004.

Note 20 - Set-Asides

The Career Center is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The statute includes specific purposes for which the monies representing BWC refunds can be used. The monies which do not represent BWC refunds may be left in the budget reserve set-aside, or returned to the general fund and used at the discretion of the Career Center’s Board of Education.

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

	Budget Stabilization Reserve	Capital Improvement Reserve	Textbooks Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2003	\$ 132,016	\$ 76,172	\$ 75,287	\$ 283,475
Current Year Set-Aside Requirement	0	55,621	55,621	111,242
Qualifying Disbursements	0	(323,451)	(117,126)	(440,577)
Total	<u>\$ 132,016</u>	<u>\$ (191,658)</u>	<u>\$ 13,782</u>	<u>\$ (45,860)</u>
Balance Carried Forward FY 2005	<u>\$ 132,016</u>	<u>\$ 0</u>	<u>\$ 13,782</u>	<u>\$ 145,798</u>
Amount to Restrict for Set-Asides				<u>\$ 13,782</u>
Amount to Set Aside				<u>\$ 132,016</u>

The general fund has a reserve for budget stabilization of \$132,016 and restricted assets and reserves for textbooks of \$13,782.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 21 – 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.

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

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

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Direct</i>				
Student Financial Aid Cluster: Federal Pell Grant Program	N/A	84.063	\$ 159,365	\$ 170,464
Federal Family Education Loans	N/A	84.032	<u>489,418</u>	<u>504,030</u>
Total Student Financial Aid Cluster			648,783	674,494
<i>Passed through Ohio Department of Education</i>				
Vocational Education - Basic Grants to States	2DC1-2003 2DC1-2004	84.048	28,089	
			<u>170,840</u>	<u>202,174</u>
Total Vocational Education - Basic Grants to States			198,929	202,174
Innovative Education Program Strategies	C2-S1-2003 C2-S1-2004	84.298	3,838	
			<u>1,124</u>	<u>6,246</u>
Total Innovative Education Program Strategies			4,962	6,246
Safe and Drug-Free Schools and Communities - State Grants	DR-S1-2004	84.186	<u>896</u>	<u>719</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>853,570</u>	<u>883,633</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>				
<i>Direct</i>				
Air Force R.O.T.C. Grant	N/A	12.XXX	43,741	43,741
Air Force R.O.T.C. Logistical Grant		12.XXX	<u>18,736</u>	<u>14,380</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>62,477</u>	<u>58,121</u>
Total			<u>\$ 916,047</u>	<u>\$ 941,754</u>

The accompanying notes are an integral part of this schedule.

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

**NOTE TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Portage Lakes Career Center
Summit County
4401 Shriver Road
P.O. Box 248
Green, Ohio 44232-0248

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 Portage Lakes Career Center, Summit County, Ohio, (the Center) as of and for the year ended June 30, 2004, which collectively comprise the Center's basic financial statements and have issued our report thereon dated June 24, 2005, in which we noted the Center adopted Governmental Accounting Standards Board Statement No. 34 and changed its policy for capital assets capitalization. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Center's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2004-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Center's management dated June 24, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Center's management dated June 24, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

June 24, 2005



**Auditor of State
Betty Montgomery**

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

Portage Lakes Career Center
Summit County
4401 Shriver Road
P.O. Box 248
Green, Ohio 44232-0248

To the Board of Education:

Compliance

We have audited the compliance of Portage Lakes Career Center, Summit County, Ohio, (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2004. The summary of auditor's results section of the accompanying Schedule of Findings identifies the Center's major federal program. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with those requirements.

In our opinion, the Portage Lakes Career Center complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2004.

In a separate letter to the Center's management dated June 24, 2005, we reported a matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The Center's management 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 Center's internal control over compliance with requirements that could directly and materially affect a major federal program 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

June 24, 2005

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal Pell Grants Program (CFDA 84.063) Federal Family Education Loan Program (CFDA 84.032)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2004-001

Reportable Condition

Service Organization - Health Insurance Processing Assurances

The Center has delegated employees' health insurance processing, which is a significant accounting function, to a third-party administrator. The Center has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that health insurance claims have not been completely and accurately processed in accordance with the health insurance contract. In reviewing related computer controls of the third party administrator various weaknesses were noted, including a lack of documentation to support program change requests, weak password controls, security level of 20 gives access to all objects by default, security policies and procedures are not documented, security monitoring is not performed and a lack of disaster recovery plan.

We recommend the Center help assure the completeness and accuracy (including eligibility and allowability) of health insurance claims processed. Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. An unqualified Type Two *Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness* in accordance with SAS No. 70 should provide the District with reasonable assurance that health insurance claim transactions conform to the contract.

We recommend the Center require a Type Two SAS 70 report in its contract. The Center should review the SAS 70 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and considered in good standing with the Accountancy Board of the respective state. If third-party administrator refuses to furnish the Center with a Type Two SAS 70 report, we recommend the Center contract with a third-party administrator that will provide such a report.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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800-282-0370

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**PORTAGE LAKES CAREER CENTER
SUMMIT 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
AUGUST 9, 2005**