



**EHOVE CAREER CENTER
ERIE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**EHOVE CAREER CENTER
ERIE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the EHOVE Career Center, Erie County, Ohio (the Career Center), as of and for the year ended June 30, 2005, which collectively comprise the Career Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Career Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 EHOVE Career Center, Erie County, Ohio, as of June 30, 2005, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General and Adult Education Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, the Career Center adopted Governmental Accounting Standards Board Statement 40, GASB Technical Bulletin 2004-2 and changed its capital assets threshold.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2006, on our consideration of the Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

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 Career Center's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

March 23, 2006

**EHOVE CAREER CENTER
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of the EHOVE Career Center (the "Career Center") financial performance provides an overall review of the Career Center's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the Career Center's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Career Center's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities increased \$20,986 which represents a 0.31% increase from 2004.
- General revenues accounted for \$11,417,512 in revenue or 72.05% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,428,313 or 27.95% of total revenues of \$15,845,825.
- The Career Center had \$15,824,839 in expenses related to governmental activities; only \$4,428,313 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,417,512 were adequate to provide for these programs.
- The Career Center has three major governmental funds; the general fund, the adult education fund and permanent improvement fund. The general fund had \$11,339,458 in revenues and other financing sources and \$10,880,520 in expenditures and other financing uses. During fiscal 2005, the general fund's fund balance increased \$452,530 from \$5,037,306 to \$5,489,836.
- Another of the Career Center's major governmental funds is the adult education fund. The adult education fund had \$2,796,883 in revenues and other financing sources and \$2,716,709 in expenditures. During fiscal 2005, the adult education fund's fund balance increased \$61,509 from \$27,619 to \$89,128.
- The Career Center's other major governmental fund is the permanent improvement fund. The permanent improvement fund had no revenues and \$264,731 in expenditures. During fiscal 2005, the permanent improvement fund's fund balance was a deficit of \$264,731. The permanent improvement fund was approved by the Board effective June 29, 2005, to track \$1.5 million in improvements that will occur during fiscal year 2006.

Using the Basic Financial Statements

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

**EHOVE CAREER CENTER
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole Career Center, presenting both an aggregate view of the Career Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Career Center's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Career Center, the general fund, the adult education fund and permanent improvement fund are by far the most significant funds, and are the only governmental funds reported as major funds.

Reporting the Career Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Career Center to provide programs and activities, the view of the Career Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the Career Center's Most Significant Funds

Fund Financial Statements

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

**EHOVE CAREER CENTER
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Governmental Funds

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

Reporting the Career Center's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

The Career Center as a Whole

The Statement of Net Assets provides the perspective of the Career Center as a whole. The table below provides a summary of the Career Center's net assets for 2005 and 2004.

**EHOVE CAREER CENTER
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

| | Net Assets | |
|--|------------------------------------|--|
| | Governmental Activities 2005 | (Restated) Governmental Activities 2004 |
| <u>Assets</u> | | |
| Current and other assets | \$ 12,891,511 | \$ 12,751,019 |
| Capital assets, net | <u>1,723,581</u> | <u>1,787,925</u> |
| Total assets | <u>14,615,092</u> | <u>14,538,944</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 7,200,974 | 7,135,163 |
| Long-term liabilities | <u>716,318</u> | <u>726,967</u> |
| Total liabilities | <u>7,917,292</u> | <u>7,862,130</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 1,722,703 | 1,776,958 |
| Restricted for set-asides | 48,764 | 48,764 |
| Restricted for other purposes | 550 | |
| Unrestricted | <u>4,925,783</u> | <u>4,851,092</u> |
| Total net assets | <u>\$ 6,697,800</u> | <u>\$ 6,676,814</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the Career Center's assets exceeded liabilities by \$6,697,800.

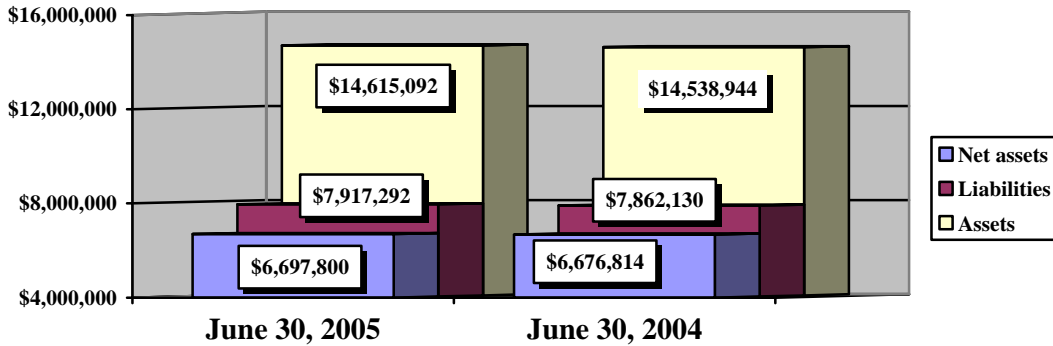
At year-end, capital assets represented 11.79% of total assets. Capital assets include land, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$1,722,703. These capital assets are used to provide services to the students and are not available for future spending. Although the Career Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. The Career Center had no bonded debt outstanding at June 30, 2005; however, the Career Center did have capital lease obligations outstanding at June 30, 2005.

A portion of the Career Center's net assets, \$49,314 represent resources that are subject to external restrictions on how they may be used. The remaining Career Center's net assets, \$4,925,783 are unrestricted net assets and may be used to meet the Career Center's ongoing obligations to the students and creditors.

**EHOVE CAREER CENTER
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Governmental Activities



The table below shows the change in net assets for fiscal year 2005.

| | Change in Net Assets | |
|------------------------------------|------------------------------------|------------------------------------|
| | Governmental Activities 2005 | Governmental Activities 2004 |
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 2,439,183 | \$ 2,104,574 |
| Operating grants and contributions | 1,989,130 | 2,481,320 |
| General revenues: | | |
| Property taxes | 6,249,961 | 5,780,211 |
| Grants and entitlements | 4,912,073 | 4,962,254 |
| Investment earnings | 126,166 | 75,483 |
| Miscellaneous | 120,062 | 173,241 |
| Gain on sale of capital assets | 9,250 | 425 |
| Total revenues | <u>15,845,825</u> | <u>15,577,508</u> |

**EHOVE CAREER CENTER
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

| | Change in Net Assets | Change in Net Assets |
|--|------------------------------------|------------------------------------|
| | Governmental Activities 2005 | Governmental Activities 2004 |
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | 768,132 | 695,728 |
| Special | 553,660 | 538,141 |
| Vocational | 5,709,441 | 5,556,240 |
| Adult continuing education | 3,145,903 | 3,226,833 |
| Support services: | | |
| Pupil | 926,129 | 916,614 |
| Instructional staff | 197,125 | 262,536 |
| Board of education | 46,001 | 42,137 |
| Administration | 1,702,786 | 1,841,048 |
| Fiscal | 317,275 | 327,601 |
| Business | 211,649 | 197,839 |
| Operations and maintenance | 1,479,689 | 1,560,292 |
| Pupil transportation | 19,085 | 24,427 |
| Central | 494,419 | 392,698 |
| Operation of non-instructional services | 10,030 | 2,602 |
| Food service operations | 243,003 | 224,545 |
| Interest and fiscal charges | 512 | 1,284 |
| | <u>15,824,839</u> | <u>15,810,565</u> |
| Total expenses | | |
| | 20,986 | (233,057) |
| Change in net assets | | |
| Net assets at beginning of year (restated) | <u>6,676,814</u> | <u>6,909,871</u> |
| Net assets at end of year | <u>\$ 6,697,800</u> | <u>\$ 6,676,814</u> |

Governmental Activities

Net assets of the Career Center's governmental activities have increased by \$20,986. Vocational expense is the predominant expense line item of the Career Center, totaling \$5,709,441 or 36.07% of total expenses. Total governmental expenses of \$15,824,839 were offset by program revenues of \$4,428,313 and general revenues of \$11,417,512. Program revenues supported 27.98% of the total governmental expenses.

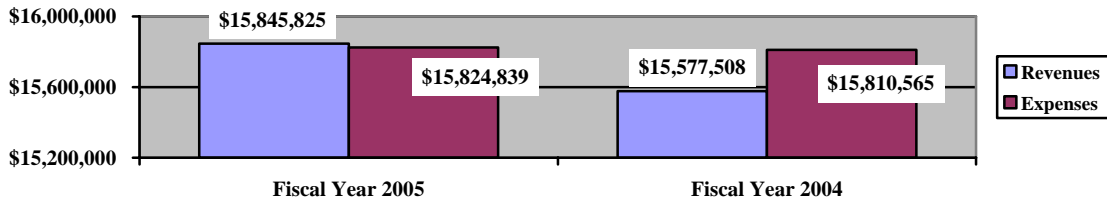
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These two revenue sources represent 70.44% of total governmental revenue.

**EHOVE CAREER CENTER
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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(Continued)**

The graph below presents the Career Center's governmental activities revenue and expenses for fiscal year 2005.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

| | Total Cost of Services 2005 | Net Cost of Services 2005 | Total Cost of Services 2004 | Net Cost of Services 2004 |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 768,132 | \$ 768,132 | \$ 695,728 | \$ 695,728 |
| Special | 553,660 | 535,528 | 538,141 | 520,010 |
| Vocational | 5,709,441 | 5,395,436 | 5,556,240 | 5,269,766 |
| Adult continuing education | 3,145,903 | (301,555) | 3,226,833 | (387,614) |
| Support services: | | | | |
| Pupil | 926,129 | 633,250 | 916,614 | 616,421 |
| Instructional staff | 197,125 | 183,990 | 262,536 | 214,285 |
| Board of education | 46,001 | 46,001 | 42,137 | 42,137 |
| Administration | 1,702,786 | 1,651,330 | 1,841,048 | 1,764,542 |
| Fiscal | 317,275 | 312,275 | 327,601 | 322,601 |
| Business | 211,649 | 211,649 | 197,839 | 197,839 |
| Operations and maintenance | 1,479,689 | 1,479,689 | 1,560,292 | 1,560,292 |
| Pupil transportation | 19,085 | 10,295 | 24,427 | 24,427 |
| Central | 494,419 | 461,565 | 392,698 | 369,721 |
| Operation of non-instructional services | 10,030 | 1,788 | 2,602 | 2,602 |
| Food service operations | 243,003 | 6,641 | 224,545 | 10,630 |
| Interest and fiscal charges | 512 | 512 | 1,284 | 1,284 |
| Total expenses | \$ 15,824,839 | \$ 11,396,526 | \$ 15,810,565 | \$ 11,224,671 |

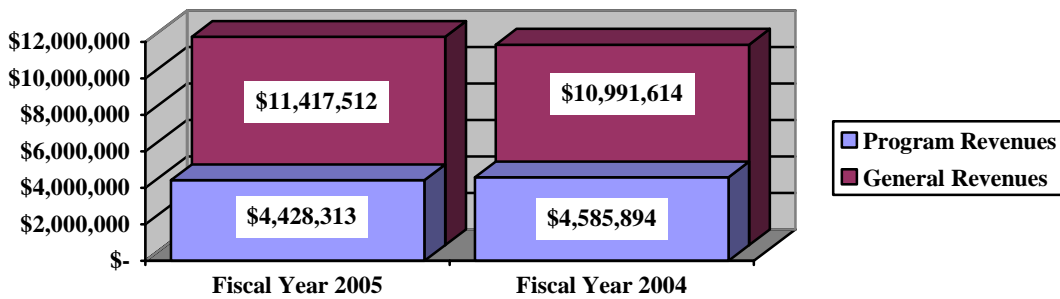
**EHOVE CAREER CENTER
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The dependence upon tax and other general revenues for governmental activities is apparent, 62.86% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 72.14%. The Career Center's taxpayers, as a whole, are the primary support for Career Center's students.

The graph below presents the Career Center's governmental activities revenue for fiscal year 2005.

Governmental Activities - General and Program Revenues



The Career Center's Funds

The Career Center's governmental funds reported a combined fund balance of \$5,301,261, which is higher than last year's total of \$5,119,087. The June 30, 2004, fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005, and 2004.

| | Fund Balance <u>June 30, 2005</u> | Restated Fund Balance <u>June 30, 2004</u> | Increase (Decrease) |
|----------------------------|--------------------------------------|--|------------------------|
| General | \$ 5,489,836 | \$ 5,037,306 | \$ 452,530 |
| Adult continuing education | 89,128 | 27,619 | 61,509 |
| Permanent improvement | (264,731) | | (264,731) |
| Other governmental | <u>(12,972)</u> | <u>54,162</u> | <u>(67,134)</u> |
| Total | <u>\$ 5,301,261</u> | <u>\$ 5,119,087</u> | <u>\$ 182,174</u> |

General Fund

The Career Center's general fund balance increased \$452,530, from \$5,037,306 to \$5,489,836. The increase in fund balance can be attributed primarily to an increase in investment income from the previous fiscal year of approximately \$52,000 and the increase in property taxes of approximately \$563,000 that offset decreases in intergovernmental revenues and a small to moderate increase in instruction and facilities acquisition and construction expenditures. The table that follows assists in illustrating the fiscal year revenues and expenses of the general fund.

**EHOVE CAREER CENTER
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)**

| | <u>2005</u> <u>Amount</u> | <u>2004</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|------------------------------------|
| <u>Revenues</u> | | | |
| Taxes | \$ 6,263,227 | \$ 5,699,575 | 9.89% |
| Tuition and fees | 9,085 | 21,405 | (57.56)% |
| Earnings on investments | 119,743 | 67,015 | 78.68% |
| Intergovernmental | 4,915,073 | 4,959,254 | (0.89)% |
| Other | <u>23,080</u> | <u>66,476</u> | (65.28)% |
| Total | <u>\$11,330,208</u> | <u>\$ 10,813,725</u> | 4.78% |
| <u>Expenditures</u> | | | |
| Instruction | \$ 6,121,813 | \$ 6,076,422 | 0.75% |
| Support services | 4,450,654 | 4,510,086 | (1.32)% |
| Facilities acquisition and construction | <u>163,807</u> | <u>88,164</u> | 85.80% |
| Total | <u>\$10,736,274</u> | <u>\$ 10,674,672</u> | 0.58% |

Adult Education Fund

The Career Center's adult education fund's fund balance increased by \$61,509, from \$27,619 to \$89,128. The increase in fund balance can be attributed to an increase in tuition and fees revenue and a decrease in administration expenditures. The table that follows assists in illustrating the fiscal year revenues and expenses of the adult education fund.

| | <u>2005</u> <u>Amount</u> | <u>2004</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|------------------------------------|
| <u>Revenues</u> | | | |
| Tuition and fees | \$ 2,085,396 | \$ 1,691,279 | 23.30% |
| Intergovernmental | 473,678 | 544,378 | (12.99)% |
| Other | <u>99,609</u> | <u>189,270</u> | (47.37)% |
| Total | <u>\$ 2,658,683</u> | <u>\$ 2,424,927</u> | 9.64% |
| <u>Expenditures</u> | | | |
| Instruction | \$ 2,078,219 | \$ 2,019,051 | 2.93% |
| Support services | 591,014 | 666,151 | (11.28)% |
| Facilities acquisition and construction | 36,875 | | 100.00% |
| Debt service | <u>10,601</u> | <u>10,600</u> | 0.01% |
| Total | <u>\$ 2,716,709</u> | <u>\$ 2,695,802</u> | 0.78% |

Permanent Improvement Fund

The permanent improvement fund had no revenues and \$264,731 in expenditures. During fiscal 2005, the permanent improvement fund had a deficit fund balance of \$264,731. The deficit fund balance resulted from adjustments for accrued liabilities.

**EHOVE CAREER CENTER
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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General Fund Budgeting Highlights

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

For the general fund, final budgeted revenues and other financing sources of \$11,029,416 were \$1,046,407 less than the original budgeted revenues and other financing sources of \$12,075,823. Actual revenues and other financing sources for fiscal 2005 was \$11,133,971. This represents a \$104,555 increase over the final budgeted amounts. This increase is primarily due to conservative tax and intergovernmental estimates in the original and final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$11,076,697 were increased \$1,643,475 to \$12,720,172 in the final budget. Original appropriations were increased \$1.5 million in the final budget for an advance needed from the general fund to the permanent improvement fund. Aside from this advance, final appropriations only increased \$143,475 over original appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$12,709,409, which was \$10,763 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

During 2005, the Career Center increased its capitalization threshold from \$500 to \$10,000. The change in threshold decreased assets by \$590,557. At the end of fiscal 2005, the Career Center had \$1,723,581 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

**Capital Assets at June 30
(Net of Depreciation)**

| | Governmental Activities | |
|----------------------------|-------------------------|------------------|
| | 2005 | Restated 2004 |
| Land | \$ 378,920 | \$ 378,920 |
| Buildings and improvements | 1,121,387 | 1,204,692 |
| Furniture and equipment | 102,992 | 89,090 |
| Vehicles | 120,282 | 115,223 |
| Total | \$ 1,723,581 | \$ 1,787,925 |

The overall decrease in the Career Center's capital assets was due primarily to the depreciation expense and the sale of furniture and equipment. The Career Center also acquired \$28,126 in new vehicles and \$66,423 in new furniture and equipment during fiscal 2005. Total additions to capital assets for 2005 were \$94,549 and total disposals were \$8,607 (net of accumulated depreciation). The overall decrease in capital assets of \$64,344 is primarily due to the recording of \$150,286 in depreciation expense for fiscal 2005.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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See Note 8 to the basic financial statements for additional information on the Career Center's capital assets.

Debt Administration

At June 30, 2005, the Career Center had no bonded debt outstanding. The remaining liability associated with the capital lease obligations was \$878 at June 30, 2005.

See Note 10 to the basic financial statements for additional information on the Career Center's debt administration.

Current Financial Related Activities

EHOVE Career Center is reporting an increase in overall Net Assets using the accrual accounting GASB 34 Model. The Career Center remains financially sound. As the financial statements report, the Career Center relies heavily upon grants and entitlements, and local property taxes. An increase in property tax revenue was realized in fiscal year 2005 (one half was realized in fiscal year 2004) due to the triennial property valuation update by four of the eight counties from which tax revenues are received. This additional tax revenue, along with the Career Center's cash balance, will provide the necessary funds to meet its operating expenses in future years.

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

The Career Center has committed \$1.5 million for the replacement of 40 year old equipment and for portable classrooms much needed due to a lack space at the Career Center. The majority of these monies will be expended in fiscal year 2006. On June 30, 2005, the Career Center entered into a note agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program). The proceeds of the note were received on July 7, 2005. The principal amount of the notes is \$1,527,000, with an interest rate of 4.225%. The Career Center will begin making payments in January 2006. This repayment will reduce future revenues available for the operation of the Career Center. We believe these expenditures of current dollars will return larger benefits in the years to come. While this may reduce the future net assets, we believe the Career Center will be strengthened financially when the project is completed.

The last challenge facing the Career Center is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan and granted a motion for reconsideration on November 2, 2001. At this time, the Career Center is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operation.

In conclusion, the Career Center has committed itself to excellence for many years, and will continue to be both innovative, and a leader, in the education and training of students in the three county area. These financial statements represent the continued effort to keep our residents informed of the excellent use of their tax dollars for vocational training needed by our students and expected by our business partners.

**EHOVE CAREER CENTER
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Contacting the Career Center's Financial Management

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

**EHOVE CAREER CENTER
ERIE COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2005

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and investments | \$ 5,776,584 |
| Receivables: | |
| Taxes | 6,867,284 |
| Accounts | 38,630 |
| Intergovernmental | 115,725 |
| Accrued interest | 14,720 |
| Prepayments | 25,816 |
| Materials and supplies inventory | 52,752 |
| Capital assets: | |
| Land | 378,920 |
| Depreciable capital assets, net | 1,344,661 |
| Total capital assets, net | 1,723,581 |
| Total assets. | 14,615,092 |
| Liabilities: | |
| Accounts payable. | 344,392 |
| Accrued wages and benefits | 867,431 |
| Pension obligation payable. | 287,755 |
| Intergovernmental payable | 42,481 |
| Deferred revenue | 5,658,915 |
| Long-term liabilities: | |
| Due within one year. | 68,821 |
| Due within more than one year | 647,497 |
| Total liabilities | 7,917,292 |
| Net Assets: | |
| Invested in capital assets, net | |
| of related debt. | 1,722,703 |
| Restricted for: | |
| Set-asides | 48,764 |
| Federally funded programs | 550 |
| Unrestricted | 4,925,783 |
| Total net assets | \$ 6,697,800 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

| | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense)</u> |
|--|----------------------|---|---|--|
| | | <u>Charges for Services and Sales</u> | <u>Operating Grants and Contributions</u> | <u>Revenue and Changes in Net Assets</u> |
| | | | | <u>Governmental Activities</u> |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 768,132 | | | \$ (768,132) |
| Special | 553,660 | | \$ 18,132 | (535,528) |
| Vocational | 5,709,441 | \$ 153,838 | 160,167 | (5,395,436) |
| Adult continuing education | 3,145,903 | 2,085,396 | 1,362,062 | 301,555 |
| Support services: | | | | |
| Pupil | 926,129 | | 292,879 | (633,250) |
| Instructional staff | 197,125 | | 13,135 | (183,990) |
| Board of education | 46,001 | | | (46,001) |
| Administration | 1,702,786 | | 51,456 | (1,651,330) |
| Fiscal | 317,275 | | 5,000 | (312,275) |
| Business | 211,649 | | | (211,649) |
| Operations and maintenance | 1,479,689 | | | (1,479,689) |
| Pupil transportation | 19,085 | | 8,790 | (10,295) |
| Central | 494,419 | | 32,854 | (461,565) |
| Operation of non-instructional services | 10,030 | 8,242 | | (1,788) |
| Extracurricular activities | | | | |
| Food service operations | 243,003 | 191,707 | 44,655 | (6,641) |
| Interest and fiscal charges | 512 | | | (512) |
| Total governmental activities | \$ 15,824,839 | \$ 2,439,183 | \$ 1,989,130 | (11,396,526) |
| General Revenues: | | | | |
| Property taxes levied for: | | | | |
| General purposes | | | | 6,249,961 |
| Grants and entitlements not restricted to specific programs | | | | 4,912,073 |
| Investment earnings | | | | 126,166 |
| Gain on sale of capital assets | | | | 9,250 |
| Miscellaneous | | | | 120,062 |
| Total general revenues | | | | 11,417,512 |
| Change in net assets | | | | 20,986 |
| Net assets at beginning of year (restated) | | | | 6,676,814 |
| Net assets at end of year | | | | \$ 6,697,800 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

| | <u>General</u> | <u>Adult Education</u> | <u>Permanent Improvement</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|----------------------------|----------------------------------|---|---|
| Assets: | | | | | |
| Equity in pooled cash and investments | \$ 4,093,877 | \$ 47,149 | \$ 1,478,063 | \$ 108,731 | \$ 5,727,820 |
| Receivables: | | | | | |
| Taxes | 6,867,284 | | | | 6,867,284 |
| Accounts | | 37,047 | | 1,583 | 38,630 |
| Intergovernmental | | 63,530 | | 52,195 | 115,725 |
| Accrued interest | 14,720 | | | | 14,720 |
| Interfund loans | 1,614,670 | | | | 1,614,670 |
| Prepayments | 18,391 | 5,353 | | 2,072 | 25,816 |
| Materials and supplies inventory | 9,150 | 33,840 | | 9,762 | 52,752 |
| Restricted assets: | | | | | |
| Equity in pooled cash and investments. | 48,764 | | | | 48,764 |
| Total assets | \$ 12,666,856 | \$ 186,919 | \$ 1,478,063 | \$ 174,343 | \$ 14,506,181 |
| Liabilities: | | | | | |
| Accounts payable | \$ 61,087 | \$ 6,803 | \$ 242,794 | \$ 33,708 | \$ 344,392 |
| Accrued wages and benefits | 813,607 | 31,663 | | 22,161 | 867,431 |
| Compensated absences payable | 62,981 | | | | 62,981 |
| Pension obligation payable. | 269,777 | 5,994 | | 11,984 | 287,755 |
| Intergovernmental payable | 34,203 | 3,486 | | 4,792 | 42,481 |
| Interfund loan payable | | | 1,500,000 | 114,670 | 1,614,670 |
| Deferred revenue | 5,935,365 | 49,845 | | | 5,985,210 |
| Total liabilities | 7,177,020 | 97,791 | 1,742,794 | 187,315 | 9,204,920 |
| Fund Balances: | | | | | |
| Reserved for encumbrances | 182,027 | 2,870 | 980,723 | 3,005 | 1,168,625 |
| Reserved for budget stabilization. | 48,764 | | | | 48,764 |
| Reserved for materials and supplies inventory. | 9,150 | 33,840 | | 9,762 | 52,752 |
| Reserved for property tax unavailable for appropriation | 946,639 | | | | 946,639 |
| Reserved for unclaimed monies. | 1,598 | | | | 1,598 |
| Reserved for prepayments | 18,391 | 5,353 | | 2,072 | 25,816 |
| Unreserved, undesignated, reported in: | | | | | |
| General fund | 4,283,267 | | | | 4,283,267 |
| Special revenue funds. | | 47,065 | | (27,811) | 19,254 |
| Capital projects funds. | | | (1,245,454) | | (1,245,454) |
| Total fund balances | 5,489,836 | 89,128 | (264,731) | (12,972) | 5,301,261 |
| Total liabilities and fund balances | \$ 12,666,856 | \$ 186,919 | \$ 1,478,063 | \$ 174,343 | \$ 14,506,181 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

| | | |
|--|------------|----------------------------|
| Total governmental fund balances | | \$ 5,301,261 |
| <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. | | 1,723,581 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Taxes | \$ 311,575 | |
| Accrued interest | 14,720 | |
| | | |
| Total | | 326,295 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences | 652,459 | |
| Capital lease obligation | 878 | |
| | | |
| Total | | <u>(653,337)</u> |
| Net assets of governmental activities | | <u><u>\$ 6,697,800</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

| | <u>General</u> | <u>Adult Education</u> | <u>Permanent Improvement</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------|----------------------------------|---|---|
| Revenues: | | | | | |
| From local sources: | | | | | |
| Taxes | \$ 6,263,227 | | | | \$ 6,263,227 |
| Tuition | 9,085 | \$ 2,085,396 | | | 2,094,481 |
| Earnings on investments | 119,743 | | | \$ 218 | 119,961 |
| Extracurricular | | | | 49,656 | 49,656 |
| Classroom materials and fees | | | | 191,707 | 191,707 |
| Charges for services | | | | 100,712 | 223,401 |
| Other | 23,080 | 99,609 | | | 223,401 |
| Intergovernmental | <u>4,915,073</u> | <u>473,678</u> | | <u>1,603,957</u> | <u>6,992,708</u> |
| Total revenue | <u>11,330,208</u> | <u>2,658,683</u> | | <u>1,946,250</u> | <u>15,935,141</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 753,424 | | | | 753,424 |
| Special | 524,323 | | | 19,450 | 543,773 |
| Vocational | 4,844,066 | | \$ 241,899 | 304,167 | 5,390,132 |
| Adult continuing education | | 2,078,219 | | 1,029,658 | 3,107,877 |
| Support Services: | | | | | |
| Pupil | 559,131 | 52,735 | | 303,042 | 914,908 |
| Instructional staff | 179,123 | | | 13,527 | 192,650 |
| Board of education | 45,348 | | | | 45,348 |
| Administration | 1,192,979 | 514,133 | | 56,338 | 1,763,450 |
| Fiscal | 310,815 | | | 5,000 | 315,815 |
| Business | 211,132 | | | | 211,132 |
| Operations and maintenance | 1,464,643 | 24,146 | | 4,255 | 1,493,044 |
| Pupil transportation | 19,085 | | | | 19,085 |
| Central | 468,398 | | | 33,745 | 502,143 |
| Operation of non-instructional services | | | | 10,030 | 10,030 |
| Extracurricular activities | | | | | |
| Facilities acquisition and construction | 163,807 | 36,875 | 22,832 | | 223,514 |
| Food service operations | | | | 242,653 | 242,653 |
| Capital outlay | | | | | |
| Debt service: | | | | | |
| Principal retirement | | 10,089 | | | 10,089 |
| Interest and fiscal charges | | 512 | | | 512 |
| Total expenditures | <u>10,736,274</u> | <u>2,716,709</u> | <u>264,731</u> | <u>2,021,865</u> | <u>15,739,579</u> |
| Excess of revenues over (under) expenditures | <u>593,934</u> | <u>(58,026)</u> | <u>(264,731)</u> | <u>(75,615)</u> | <u>195,562</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | | 138,200 | | 6,046 | 144,246 |
| Transfers (out) | (144,246) | | | | (144,246) |
| Note issuance | | | | | |
| Sale of capital assets | <u>9,250</u> | | | | <u>9,250</u> |
| Total other financing sources (uses) | <u>(134,996)</u> | <u>138,200</u> | | <u>6,046</u> | <u>9,250</u> |
| Net change in fund balances | 458,938 | 80,174 | (264,731) | (69,569) | 204,812 |
| Fund balance at | | | | | |
| beginning of year (restated) | 5,037,306 | 27,619 | | 54,162 | 5,119,087 |
| Increase (decrease) in reserve for inventory | <u>(6,408)</u> | <u>(18,665)</u> | | <u>2,435</u> | <u>(22,638)</u> |
| Fund balances at end of year | <u>\$ 5,489,836</u> | <u>\$ 89,128</u> | <u>\$ (264,731)</u> | <u>\$ (12,972)</u> | <u>\$ 5,301,261</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds **\$ 204,812**

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

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

| | | |
|---------------------------|------------------|----------|
| Capital asset additions | 94,549 | |
| Current year depreciation | <u>(150,286)</u> | |
| Total | | (55,737) |

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (8,607)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. (22,638)

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

| | | |
|---------------------------|--------------|----------|
| Taxes | (13,266) | |
| Intergovernmental revenue | (91,505) | |
| Accrued interest | <u>6,205</u> | |
| Total | | (98,566) |

Capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 10,089

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (8,367)

Change in net assets of governmental activities **\$ 20,986**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 6,986,387 | \$ 5,935,000 | \$ 5,948,390 | \$ 13,390 |
| Tuition | 5,000 | 5,000 | 9,085 | 4,085 |
| Earnings on investments | 98,836 | 98,836 | 114,209 | 15,373 |
| Other | 105,100 | 105,080 | 24,046 | (81,034) |
| Intergovernmental | 4,780,500 | 4,785,500 | 4,915,073 | 129,573 |
| Total revenue | <u>11,975,823</u> | <u>10,929,416</u> | <u>11,010,803</u> | <u>81,387</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 663,899 | 741,679 | 741,483 | 196 |
| Special | 489,726 | 512,386 | 512,297 | 89 |
| Vocational | 4,671,751 | 4,801,326 | 4,799,270 | 2,056 |
| Support Services: | | | | |
| Pupil | 541,523 | 550,523 | 550,452 | 71 |
| Instructional staff | 192,892 | 165,417 | 165,286 | 131 |
| Board of education | 43,850 | 46,740 | 46,681 | 59 |
| Administration | 1,200,939 | 1,229,814 | 1,228,472 | 1,342 |
| Fiscal | 318,502 | 326,802 | 326,545 | 257 |
| Business | 221,170 | 210,170 | 210,085 | 85 |
| Operations and maintenance | 1,620,765 | 1,539,190 | 1,537,222 | 1,968 |
| Pupil transportation | 24,689 | 16,589 | 16,526 | 63 |
| Central | 570,223 | 496,093 | 495,751 | 342 |
| Facilities acquisition and construction | 216,768 | 320,443 | 320,423 | 20 |
| Total expenditures | <u>10,776,697</u> | <u>10,957,172</u> | <u>10,950,493</u> | <u>6,679</u> |
| Excess of revenues over (under) expenditures | <u>1,199,126</u> | <u>(27,756)</u> | <u>60,310</u> | <u>88,066</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year expenditure | | | 91 | 91 |
| Transfers (out) | (150,000) | (146,000) | (144,246) | 1,754 |
| Advances in | 100,000 | 100,000 | 113,827 | 13,827 |
| Advances (out) | (150,000) | (1,617,000) | (1,614,670) | 2,330 |
| Proceeds from sale of capital assets | | | 9,250 | 9,250 |
| Total other financing sources (uses) | <u>(200,000)</u> | <u>(1,663,000)</u> | <u>(1,635,748)</u> | <u>27,252</u> |
| Net change in fund balance | 999,126 | (1,690,756) | (1,575,438) | 115,318 |
| Fund balance at beginning of year | 5,296,994 | 5,296,994 | 5,296,994 | |
| Prior year encumbrances appropriated | 175,138 | 175,138 | 175,138 | |
| Fund balance at end of year | <u>\$ 6,471,258</u> | <u>\$ 3,781,376</u> | <u>\$ 3,896,694</u> | <u>\$ 115,318</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ADULT EDUCATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| From local sources: | | | | |
| Tuition | \$ 2,278,889 | \$ 2,090,724 | \$ 2,068,905 | \$ (21,819) |
| Other. | 158,966 | 145,843 | 99,609 | (46,234) |
| Intergovernmental. | 514,471 | 472,000 | 473,678 | 1,678 |
| Total revenue | <u>2,952,326</u> | <u>2,708,567</u> | <u>2,642,192</u> | <u>(66,375)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Adult continuing education | 2,386,193 | 2,155,165 | 2,130,877 | 24,288 |
| Support Services: | | | | |
| Pupil | 64,850 | 64,850 | 53,564 | 11,286 |
| Administration. | 566,950 | 515,696 | 514,631 | 1,065 |
| Operations and maintenance | 23,050 | 23,050 | 23,876 | (826) |
| Facilities acquisition and construction | | | 36,875 | (36,875) |
| Total expenditures | <u>3,041,043</u> | <u>2,758,761</u> | <u>2,759,823</u> | <u>(1,062)</u> |
| Excess of expenditures over revenues. | <u>(88,717)</u> | <u>(50,194)</u> | <u>(117,631)</u> | <u>(67,437)</u> |
| Other financing sources: | | | | |
| Refund of prior year expenditure | | | 3,496 | 3,496 |
| Transfers in | 50,000 | 50,000 | 138,200 | 88,200 |
| Total other financing sources. | <u>50,000</u> | <u>50,000</u> | <u>141,696</u> | <u>91,696</u> |
| Net change in fund balance | (38,717) | (194) | 24,065 | 24,259 |
| Fund balance at beginning of year. | 1,987 | 1,987 | 1,987 | |
| Prior year encumbrances appropriated | 12,258 | 12,258 | 12,258 | |
| Fund balance at end of year | <u>\$ (24,472)</u> | <u>\$ 14,051</u> | <u>\$ 38,310</u> | <u>\$ 24,259</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

| | | <u>Agency</u> |
|---|--------|-------------------|
| Assets: | | |
| Equity in pooled cash and investments | \$ | 22,635 |
| Receivables: | | |
| Accounts | | 36 |
| Total assets | \$ | <u>22,671</u> |
| Liabilities: | | |
| Accounts payable | \$ | 50 |
| Intergovernmental payable | | 1,597 |
| Due to students | | 21,024 |
| Total liabilities | \$ | <u>22,671</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE CAREER CENTER

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

Average daily membership (ADM) as of October 1, 2004, was 854. The Career Center employed 11 administrative and supervisory personnel, 91 certificated employees and 41 non-certificated employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Career Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Career Center. For the Career Center, this includes regular vocational, special and adult continuing instruction. The Career Center also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

Component units are legally separate organizations for which the Career Center is financially accountable. The Career Center is financially accountable for an organization if the Career Center appoints a voting majority of the organizations' government board and (1) the Career Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Career Center is legally entitled to or can otherwise have access to organization's resources; or (3) the Career Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Career Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Career Center in that the Career Center approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the Career Center has no component units.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The basic financial statements of the reporting entity include only those of the Career Center (the primary government). The following organizations are described due to their relationship to the Career Center:

JOINTLY GOVERNED ORGANIZATIONS

The Northern Ohio Educational Computer Association

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

Bay Area Council of Governments

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

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

Cisco Academy of Northwest Ohio

The Cisco Academy of Northwest Ohio (the Academy) was established July 1, 1998 to foster cooperation toward joint training and other joint activities of mutual interest among certain educational entities located in Northwest Ohio. The Academy is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and by laws adopted by the representatives of the member educational entities. The Academy is governed by a management council consisting of a representative appointed from each participating member educational entity. The Board of Education of the Four County Career Center has been designated fiscal agent for the Academy. Financial information can be obtained from Lois Knuth who serves as treasurer of the Four County Career Center, at 22900 State Route 34, Archbold, Ohio 43502.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

PUBLIC ENTITY RISK POOLS

Health Benefits

The Huron-Erie School Employees Insurance Association is a shared risk pool, with participants from Erie and Huron Counties. The Association is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly elects officers for two year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Association. All Association revenues are generated from charges for services. Financial information can be obtained by writing to the EHOVE Career Center, 316 W. Mason Rd., Milan, Ohio 44846.

Workers' Compensation

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Permanent Improvement Fund – The Permanent Improvement fund is used to account for monies received and expended in connection with renovating, furnishing and equipping schools buildings.

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The Career Center's only fiduciary funds are agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Career Center's agency funds account for student activities and district agency responsibilities.

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the Career Center. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the Career Center.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Career Center are included on the statement of net assets.

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

**EHOVE CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

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

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

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

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

**EHOVE CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. Tuition received in advance of the intended fiscal year is recorded as deferred revenue.

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

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

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

E. Budgets

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

Tax Budget:

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

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ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Estimated Resources:

By March 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the Career Center must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Career Center Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final amended Certificates issued during the fiscal year.

Appropriations:

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

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

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

Lapsing of Appropriations:

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

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Cash and Investments

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

During fiscal year 2005, investments were limited to nonnegotiable certificates of deposits, commercial paper, federal agency securities, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The Career Center has invested funds in STAR Ohio during fiscal 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$119,743, which includes \$18,290 assigned from other Career Center funds.

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

Per the investment policy, the Career Center, is permitted to invest in any security specifically authorized by Ohio Revised Code Section 135.14, 135.142, and 135.45 as amended. No security will be purchased that has a final maturity of greater than two years.

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

G. Inventory

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

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

**EHOVE CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During 2005, the Career Center increased their capitalization threshold from \$500 to \$10,000. The Career Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

| <u>Description</u> | Governmental Activities <u>Estimated Lives</u> |
|----------------------------|--|
| Buildings and improvements | 25 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 6 - 10 years |

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivables/payables" and receivables and payables resulting from charges for goods and services are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net assets. Interfund loans are summarized in Note 5.A.

J. Compensated Absences

The Career Center reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the Career Center will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set-aside to create a reserve for budget stabilization. See Note 17 for details.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. See Note 5.B. for detail.

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles and Restatement of Fund Balance and Net Assets

For fiscal year 2005, the Career Center has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Career Center, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the Career Center as they were previously reported as of June 30, 2004:

| | General | Adult Education | Nonmajor | Total |
|--------------------------------------|--------------|--------------------|-----------|--------------|
| Fund Balances, June 30, 2004 | \$ 5,045,120 | \$ 29,018 | \$ 61,588 | \$ 5,135,726 |
| GASB Technical Bulletin No. 2004-2 | (7,814) | (1,399) | (7,426) | (16,639) |
| Restated Fund Balance, June 30, 2004 | \$ 5,037,306 | \$ 27,619 | \$ 54,162 | \$ 5,119,087 |

The Career Center changed their capitalization policy during fiscal 2005 (see Note 2.H.). The change had the following effect on the Career Centers net assets:

| | Governmental Activities |
|------------------------------------|----------------------------|
| Net assets, June 30, 2004 | \$ 7,267,371 |
| Adjustment for capital assets | (590,557) |
| Restated net assets, June 30, 2004 | \$ 6,676,814 |

**EHOVE CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2005, included the following individual fund deficits:

| <u>Major Fund</u> | <u>Deficit</u> |
|-------------------------------------|----------------|
| Permanent Improvement | \$ 264,731 |
| <u>Nonmajor Funds</u> | |
| Food Service | 13,298 |
| Other Grants | 73,575 |
| Post Secondary Vocational Education | 872 |
| Public Preschool Grant | 25 |
| Vocational Education Enhancement | 68 |
| Vocational Education | 616 |

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

NOTE 4 - 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 moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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.

**EHOVE CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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;
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 (STAR Ohio);
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.

A. Cash on Hand

At year-end, the Career Center had \$250 in undeposited cash on hand which is included on the financial statements of the Career Center as part of "Equity in Pooled Cash and Cash Equivalents."

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

B. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all Career Center deposits was \$629,925. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2005, \$537,770 of the Career Center’s bank balance of \$823,186 was exposed to custodial risk as discussed below, while \$285,416 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Career Center’s deposits may not be returned. Deposits of \$137,770 were collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds. Deposits of \$400,000 were collateralized by specific pledged collateral held at the Federal Reserve Bank in the name of the Career Center. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Career Center to a successful claim by the FDIC.

C. Investments

As of June 30, 2005, the Career Center had the following investments and maturities:

| <u>Investment type</u> | <u>Balance at Fair Value</u> | <u>Investment Maturities 6 months or less</u> |
|------------------------|----------------------------------|---|
| STAR Ohio | \$ 2,181,095 | \$ 2,181,095 |
| FHLMC Discount Note | 499,554 | 499,554 |
| FHLB Discount Note | 496,080 | 496,080 |
| FHLMC | 494,524 | 494,524 |
| FHLB | 998,733 | 998,733 |
| Commercial Paper | 499,058 | 499,058 |
| | <u>\$ 5,169,044</u> | <u>\$ 5,169,044</u> |

The weighted average maturity of investments is .08 years.

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Career Center’s investment policy limits investment portfolio maturities to two years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity. State statute limits the investment in commercial paper to a maximum of 180 days from the date of purchase.

**EHOVE CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

Credit Risk: The Career Center's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The Career Center's investments in commercial paper has been rated A-1+ by Standard & Poor's. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Commercial paper must be rated in the highest classification by at least two nationally-recognized rating services. The Career Center's investment policy does not address investment credit risk beyond the requirements of state statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Career Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Career Center has \$2,987,949 of investments exposed to custodial credit risk. The Federal Home Loan Mortgage Corporation Notes, the Federal Home Loan Bank Notes, and Commercial Paper are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.

Concentration of Credit Risk: The Career Center places no dollar limit on the amount that may be invested in any one issuer however, the Career Center's investment policy requires an effort to diversify its holdings of investments by avoiding concentrations of specific issuers. State statute limits investments in commercial paper to 25% of the interim monies available for investment at any one time. The following table includes the percentage of each investment type held by the Career Center at June 30, 2005:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% to Total</u> |
|------------------------|---------------------|-------------------|
| STAR Ohio | \$ 2,181,095 | 42.20% |
| FHLMC | 994,078 | 19.23% |
| FHLB | 1,494,813 | 28.92% |
| Commerical Paper | <u>499,058</u> | <u>9.65%</u> |
| | <u>\$ 5,169,044</u> | <u>100.00%</u> |

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

| | |
|---|---------------------|
| <u>Cash and Investments per footnote</u> | |
| Carrying amount of deposits | \$ 629,925 |
| Investments | 5,169,044 |
| Cash on hand | <u>250</u> |
| Total | <u>\$ 5,799,219</u> |
| <u>Cash and investments per Statement of Net Assets</u> | |
| Governmental activities | \$ 5,776,584 |
| Agency funds | <u>22,635</u> |
| Total | <u>\$ 5,799,219</u> |

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2005, as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|---------------------|
| General | Pemanent Improvement | \$ 1,500,000 |
| | Nonmajor governmental funds | <u>114,670</u> |
| Total | | <u>\$ 1,614,670</u> |

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2005, are reported on the statement of net assets.

B. Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

| | |
|---------------------------------|-------------------|
| Transfers from general fund to: | |
| Adult Education | \$ 138,200 |
| Nonmajor governmental funds | <u>6,046</u> |
| Total | <u>\$ 144,246</u> |

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Career Center. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Career Center prior to June 30.

The Career Center receives property taxes from various Counties. The County Auditors periodically advance to the Career Center their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available as an advance at June 30, 2005 was \$946,639 in the general fund. This amount has been recorded as revenue.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

The full tax rate for Career Center operations for the year ended June 30, 2005, was \$3.95 per \$1,000.00 of assessed value. The assessed values of real and tangible personal property for tax year 2004 are as follows:

| | Amount | Percent | Amount | Percent |
|------------------------------|----------------------|---------|----------------------|---------|
| Real Property | \$ 2,399,372,150 | 85 | \$ 2,445,200,620 | 86 |
| Public Utility Property | 157,749,340 | 6 | 150,571,580 | 5 |
| Tangible Personal Property | 258,129,800 | 9 | 261,793,862 | 9 |
| Total Assessed Valuation | \$ 2,815,251,290 | 100 | \$ 2,857,566,062 | 100 |

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

| Governmental Activities | |
|--------------------------------|------------------|
| Taxes | \$ 6,867,284 |
| Accounts | 38,630 |
| Intergovernmental | 115,725 |
| Accrued interest | 14,720 |
| Total | \$ 7,036,359 |

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

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to changes in the Career Center's capital asset policy. See Note 2.H. for detail:

| | Balance 6/30/04 | Adjustments | Restated Balance 6/30/04 |
|---|--------------------|--------------|--------------------------------|
| Governmental Activities | | | |
| Capital assets, not being depreciated: | | | |
| Land | \$ 378,920 | | \$ 378,920 |
| Total capital assets, not being depreciated | 378,920 | | 378,920 |
| Capital assets, being depreciated: | | | |
| Buildings and improvements | 4,203,649 | \$ (11,832) | 4,191,817 |
| Furniture and equipment | 3,362,818 | (2,487,660) | 875,158 |
| Vehicles | 301,128 | (44,220) | 256,908 |
| Total capital assets, being depreciated | 7,867,595 | (2,543,712) | 5,323,883 |
| <i>Less: accumulated depreciation:</i> | (5,868,033) | 1,953,155 | (3,914,878) |
| Governmental activities capital assets, net | \$ 2,378,482 | \$ (590,557) | \$ 1,787,925 |

- B. Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

| | Restated Balance 06/30/04 | Additions | Deductions | Balance 06/30/05 |
|---|---------------------------------|-------------|--------------|---------------------|
| Governmental Activities | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 378,920 | | | \$ 378,920 |
| Total capital assets, not being depreciated | 378,920 | | | 378,920 |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings and improvements | 4,191,817 | | | 4,191,817 |
| Furniture and equipment | 875,158 | \$ 66,423 | \$ (293,593) | 647,988 |
| Vehicles | 256,908 | 28,126 | (26,000) | 259,034 |
| Total capital assets, being depreciated | 5,323,883 | 94,549 | (319,593) | 5,098,839 |
| <i>Less: accumulated depreciation</i> | | | | |
| Buildings and improvements | (2,987,125) | (83,305) | | (3,070,430) |
| Furniture and equipment | (786,068) | (43,914) | 284,986 | (544,996) |
| Vehicles | (141,685) | (23,067) | 26,000 | (138,752) |
| Total accumulated depreciation | (3,914,878) | (150,286) | 310,986 | (3,754,178) |
| Governmental activities capital assets, net | \$ 1,787,925 | \$ (55,737) | \$ (8,607) | \$ 1,723,581 |

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 8 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|--------------------------------|-----------------------------|
| <u>Instruction:</u> | |
| Regular | \$ 10,311 |
| Special | 3,024 |
| Vocational | 73,825 |
| Adult education | 10,495 |
| <u>Support Services:</u> | |
| Pupil | 1,042 |
| Instructional staff | 2,970 |
| Board of education | 653 |
| Administration | 8,084 |
| Fiscal | 789 |
| Operations and maintenance | 8,102 |
| Central | 29,169 |
| Food service operations | <u>1,822</u> |
| Total depreciation expense | <u><u>\$150,286</u></u> |

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Governmental activities capital assets consisting of adult education equipment have been capitalized in the amount of \$28,195. This amount represents the present value of the future minimum lease payments at the time of acquisition.

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the 2005 fiscal year totaled \$10,089 and \$512, respectively. These amounts are reported as debt service payments of the adult education fund.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE – (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2005:

| Year Ending June 30 | Amount |
|---|--------|
| 2006 | \$ 884 |
| Total minimum lease payment | 884 |
| Less: amount representing interest | (6) |
| Present value of minimum lease payments | \$ 878 |

NOTE 10 - LONG-TERM OBLIGATIONS

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

| | Balance Outstanding 06/30/04 | Additions | Reductions | Balance Outstanding 06/30/05 | Amounts Due in One Year |
|---------------------------------|------------------------------------|------------|-------------|------------------------------------|-------------------------------|
| Governmental Activities: | | | | | |
| Capital lease obligation | \$ 10,967 | | \$ (10,089) | \$ 878 | \$ 878 |
| Compensated absences | 716,000 | \$ 121,155 | (121,715) | 715,440 | 67,943 |
| Total governmental activities | \$726,967 | \$ 121,155 | \$(131,804) | \$ 716,318 | \$ 68,821 |

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

Compensated Absences: Compensated absences will be paid from the fund from which the employees' salaries are paid.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Sick Leave

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1¼) days for each calendar month under contract. Sick leave is cumulative to three hundred eight (308) days for certified employees and two hundred twenty-seven (272) days for non-certified employees.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 11 - OTHER EMPLOYEE BENEFITS – (Continued)

B. Service Retirement Benefits

1. Certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is one-fourth (25%) of the certified employee's accrued but unused sick leave days at the time of retirement based on their daily rate times the value of the employee's eligible (81.25 days maximum) accrued but unused sick leave days. Employees must have at least ten years of total retirement service and at least five years of service with the Career Center to become eligible to be entitled to the maximum of eighty-one and one-fourth days (81.25) days.
2. Certified employees who retire during the current contract will be paid \$225 for every year of service with the EHOVE Board of Education.
3. Non-certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is one-fourth of sick leave days accumulated, but not to exceed fifty-six (56) days. Non-certified employees must have ten or more years of public service at the time of retirement.
4. Non-certified employees shall receive a lump sum payment of \$125 per year of service with the Career Center upon retiring in the first year of eligibility (as defined by the School Employees Retirement System).
5. Administration employees, certified, and non-certified non-union staff are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is that as set forth in the EHOVE Education Association contract for administrators and as set forth in the OAPSE (Ohio Association of Public School Employees) contract non-certified employees.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The Career Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Career Center maintains comprehensive insurance coverage with private carriers for general liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Losses have not exceeded insurance coverage for the last three years and there has been no significant reduction in insurance coverage from last year.

The Career Center is a member of the Huron-Erie School Employees Insurance Association, a public entity risk pool currently operating as a common risk management and health insurance program for 13 member schools. The Career Center pays a monthly premium to the pool for health, prescription drug and dental. The pool agreement provides that the Association will be self-sustaining through member premiums, and the pool purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$250,000 for any employee in a year or to cover aggregate claims in excess of 120% of the prior year's total claims. Individual coverage per person cannot exceed \$1,000,000 in claims during his or her lifetime.

**EHOVE CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 12 - RISK MANAGEMENT – (Continued)

B. Workers' Compensation Rating Plan

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The Career Center's required contributions to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$215,751, \$137,334, and \$141,958, respectively.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)

B. State Teachers Retirement System

The Career Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 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 years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The Career Center's required contributions to STRS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$884,222, \$827,221, and \$877,085, respectively. Contributions to the DC and Combined Plans for fiscal 2005 were \$12,480 made by the Career Center and \$24,685 made by plan members.

**EHOVE CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2005, one member of the Board of Education have elected Social Security. The Career Center's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the Career Center, this amount equaled \$63,159 during fiscal 2005.

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

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. 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.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2005, were \$178.221 million and the target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million and SERS had approximately 58,123 participants receiving health care benefits. For the Career Center, the amount to fund health care benefits, including surcharge, equaled \$73,918 during the 2005 fiscal year.

NOTE 15 - BUDGETRY BASIS OF ACCOUNTING

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

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

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

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

| | <u>General Fund</u> | <u>Adult Education</u> |
|---|---------------------|----------------------------|
| Budget basis | \$(1,575,438) | \$ 24,065 |
| Net adjustment for revenue accruals | 319,405 | 16,491 |
| Net adjustment for expenditure accruals | (28,198) | 34,275 |
| Net adjustment for other sources/uses | 1,500,752 | (3,496) |
| Adjustment for encumbrances | <u>242,417</u> | <u>8,839</u> |
| GAAP basis | <u>\$ 458,938</u> | <u>\$ 80,174</u> |

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The Career Center is involved in no material litigation as either plaintiff or defendant.

C. State School Funding Decision

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

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

NOTE 17 - STATUTORY RESERVES

The Career Center is required by state statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Amount not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 17 - STATUTORY RESERVES – (Continued)

| | <u>Textbooks/ Instructional Materials</u> | <u>Capital Maintenance</u> | <u>Budget Stabilization</u> |
|---|---|--------------------------------|---------------------------------|
| Set-aside cash balance as of July 1, 2004 | \$ (714,773) | | \$ 48,764 |
| Current year set-aside requirement | 113,445 | \$ 113,445 | |
| Qualifying expenditures | <u>(276,492)</u> | <u>(297,660)</u> | |
| Total | <u>\$ (877,820)</u> | <u>\$ (184,215)</u> | <u>\$ 48,764</u> |
| Balance carried forward to FY 2006 | <u>\$ (877,820)</u> | | <u>\$ 48,764</u> |

Senate Bill (S.B.) 345, 123rd General Assembly eliminated the requirement for the Budget Stabilization set-aside. S.B. 345 places special restrictions of the use of Bureau of Workers' Compensation (BWC) Rebate money remaining in the Budget Stabilization as of April 10, 2001. \$48,764 represents the BWC portion at June 30, 2005, and is reported as a reservation of fund balance on the basic financial statements. The Career Center intention is to use the BWC portion towards an upcoming building expansion program, but no formal action has been taken by the Board to officially designate this reserve for building expansion program.

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

A schedule of the governmental fund restricted assets at June 30, 2005 follows:

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

NOTE 18 – CONTRACTUAL COMMITMENTS

At June 30, 2005, the Career Center had contractual commitments as follows:

| <u>Company</u> | <u>Project</u> | <u>Amount Remaining on Contract</u> |
|------------------------------|--------------------------------------|---|
| O. E. Meyer Company | Plasma Cutting Machine | \$26,513 |
| Stang Builders | Interior Alterations Cosmetology Lab | 105,750 |
| Innovative Modular Solutions | 6 Modular Classrooms | 302,860 |

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS

On July 7, 2005, the Career Center received \$1,527,000 note proceeds from the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program) for the purpose of improving, renovating, furnishing and equipping school buildings. The note has an interest rate of 4.225%. The Career Center will begin making payments in January 2006.

**EHOVE CAREER CENTER
ERIE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|--|--|---------------------------|---|----------------------|---|---------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| <i>Nutrition Cluster:</i> | | | | | | |
| Food Distribution Program | N/A | 10.550 | | \$ 8,401 | | \$ 5,332 |
| National School Lunch Program | 051029-LLP4-2004 051029-LLP4-2005 | 10.555 | \$ 8,802 31,670 | | \$ 8,802 31,670 | |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | 40,472 | 8,401 | 40,472 | 5,332 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | | |
| <i>Direct Payment - United States Department of Education</i> | | | | | | |
| Federal Pell Grant Program | N/A | 84.063 | 391,386 | | 391,386 | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Workforce Investment Act - Adult Program | 051029-WFHS-2004 | 17.258 | 4,500 | | | |
| Vocational Education - Basic Grants to States | 051029-20A0-2004 051029-20A5-2005 051029-20C1-2004 051029-20C1-2005 051029-20C2-2004 051029-20C2-2005 | 84.048 | 6,511 11,000 33,129 268,475 6,660 76,699 | | 13,527 11,000 1,460 285,786 7,568 85,011 | |
| Total Vocational Education - Basic Grants to States | | | 402,474 | | 404,352 | |
| Safe and Drug-Free Schools and Communities - State Grants | 051029-DRS1-2005 | 84.186 | 2,104 | | 2,104 | |
| Vocational Education - Occupational and Employment Information - State Grants | OE00-2004 | 84.346 | 1,437 | | | |
| Innovative Education Program Strategies | 051029-C2S1-2005 | 84.298 | 3,786 | | 3,786 | |
| Improving Teacher Quality State Grants | 051029-TRS1-2005 | 84.367 | 4,540 | | 3,990 | |
| Total Department of Education | | | 810,227 | | 805,618 | |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | | | | |
| <i>Passed Through Ohio Department of Public Safety</i> | | | | | | |
| Public Assistance Grants | 043-074CB-00 | 97.036 | 4,290 | | 4,290 | |
| Totals | | | \$ 854,989 | \$ 8,401 | \$ 850,380 | \$ 5,332 |

The accompanying notes to this schedule are an integral part of this schedule.

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**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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

NOTE C - MATCHING REQUIREMENTS

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

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**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***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the EHOVE Career Center, Erie County (the Career Center) as of and for the year ended June 30, 2005, which collectively comprise the Career Center's basic financial statements and have issued our report thereon dated March 23, 2006, wherein we noted the Career Center adopted Governmental Accounting Standards Board Statement 40, GASB Technical Bulletin 2004-2 and changed its capital asset threshold. 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 Career Center's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Career Center's management dated March 23, 2006, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Career Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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*.

One Government Center / Room 1420 / Toledo, OH 43604-2246
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www.auditor.state.oh.us

EHOVE Career Center
Erie County

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
Page 2

In a separate letter to the Career Center's management dated March 23, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 23, 2006



**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**

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

To the Board of Education:

Compliance

We have audited the compliance of the EHOVE Career Center, Erie County (the Career Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the Career Center's major federal program. The Career 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 Career Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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 Career 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 Career Center's compliance with those requirements.

In our opinion, the EHOVE 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, 2005.

Internal Control Over Compliance

The Career 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 Career 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 the audit committee, management, 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

March 23, 2006

**EHOVE CAREER CENTER
ERIE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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EHOVE CAREER CENTER

ERIE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 17, 2006**