

PENTA CAREER CENTER  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2005





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the Penta Career Center, Wood County, prepared by Weber O'Brien, Ltd, for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Penta Career Center is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY  
Auditor of State

April 20, 2006

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PENTA CAREER CENTER

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Penta Career Center ("Career Center"), an Ohio Vocational School District, as of and for the year ended June 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Career Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Penta Career Center as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2005 on our consideration of the Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Weber & O'Brien Ltd." The signature is written in dark ink and is positioned above the date text.

December 13, 2005, except for Note 22,  
as to which the date is March 9, 2006

**Penta Career Center**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

The discussion and analysis of Penta Career Center's financial performance provides an overview of the Career Center's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the Career Center's financial performance as a whole.

**HIGHLIGHTS**

Key highlights for fiscal year 2005 are as follows:

Over the past several years, the Career Center has been in the planning stages to build and relocate to a new campus. A consulting firm was hired in 2000 which recommended that a new facility be constructed rather than renovating the current campus. The recommendation was based on several factors including space limitations, new educational requirements from the State of Ohio, safety issues, future program initiatives, and infrastructure issues. Land was purchased in fiscal year 2001. A one mill property tax levy was passed on the November 2003 ballot for permanent improvements which will be used to pay for the construction of the new campus. The Career Center began receiving property tax revenues from this levy in January 2004. The remaining stages of constructing the new campus are:

Bid and Award	January 2006
Construction	February 2006
Owner Occupancy	April 2009

The Career Center has completed negotiations with the certified staff. The new contract is effective for a three-year period which began July 1, 2004. The new contract provides for salary increases in fiscal years 2005, 2006, and 2007 of 3.5 percent, 3.25 percent, and 3.25 percent, respectively. The calculation for sick leave severance for employees eligible to retire was changed from 25 percent of 275 sick leave days to 25 percent of 285 sick leave days. Traditional plan health care coverage will no longer be available after June 30, 2006. Effective July 1, 2004, all employees that opt for the traditional plan instead of the PPO must pay the difference in premiums between the two plans. The former contract required the employee to pay 6 percent of their insurance premiums. The new agreement requires the employee to pay 7 percent of the insurance premium in fiscal year 2005, 8 percent in fiscal year 2006, and 10 percent in fiscal year 2007. Co-pays to health care providers had been 10 percent and were changed to 10 percent for in-network health care providers and 30 percent for out-of-network providers. Co-pays for prescription drugs and health care deductibles were also increased.

**USING THIS ANNUAL REPORT**

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

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

**Penta Career Center**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

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

**REPORTING THE CAREER CENTER AS A WHOLE**

The statement of net assets and the statement of activities reflect how the Career Center did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**REPORTING THE CAREER CENTER'S MOST SIGNIFICANT FUNDS**

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

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

**Penta Career Center**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table 1 provides a summary of the Career Center's net assets for fiscal year 2005 and fiscal year 2004.

Table 1  
Net Assets

	2005	2004
<u>Assets</u>		
Current and Other Assets	\$102,439,145	\$99,645,047
Capital Assets, Net	14,870,475	11,963,950
Total Assets	117,309,620	111,608,997
<u>Liabilities</u>		
Current and Other Liabilities	17,985,605	16,371,606
Long-Term Liabilities	69,858,853	71,055,916
Total Liabilities	87,844,458	87,427,522
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	10,490,516	9,122,728
Restricted	19,722,090	16,005,522
Unrestricted (Deficit)	(747,444)	(946,775)
Total Net Assets	\$29,465,162	\$24,181,475

**Penta Career Center**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

Although the percentage of increase in current and other assets was not significant, this increase was in excess of \$2.7 million. Debt proceeds relating to the construction of a new campus have been invested as the building plans were being finalized during fiscal year 2005. In addition, the Career Center received an entire year of collections on the one mill property tax levy in fiscal year 2005 compared to six months collections in fiscal year 2004. As property tax receivable is deferred, there is a corresponding increase in current and other liabilities.

Capital assets increased due to the purchase of additional land, as well as engineering and architectural costs that were incurred in fiscal year 2005 pertaining to the construction of the new campus. Overall total assets increased by 5.1 percent.

Long-term liabilities decreased from the principal payments on the general obligation bonds and certificates of participation. There was an immaterial increase in overall total liabilities.

The majority of the increase in invested in capital assets, net of related debt resulted in reducing the long-term obligation relating to capital assets, in the amount of \$1,445,000, and the purchase of land. Restricted net assets increased from the transfers from the General Fund to the Permanent Improvement capital projects fund to set aside money for the construction of the new campus. Restricted net assets also increased for property taxes collected on the one mill levy for permanent improvements. A portion of these resources is transferred to the debt service fund to pay for the related debt each fiscal year.

Table 2 reflects the change in net assets for fiscal year 2005 and fiscal year 2004.

Table 2  
Change in Net Assets

	Governmental Activities	
	2005	2004
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$1,291,868	\$1,297,307
Operating Grants and Contributions	5,507,617	5,045,268
Capital Grants and Contributions	0	17,745
Total Program Revenues	6,799,485	6,360,320
General Revenues		
Property Taxes	14,439,135	12,296,012
Payment in Lieu of Taxes	142,485	133,913
Grants and Entitlements not Restricted to Specific Programs	8,423,201	7,902,684
Interest	1,795,597	324,672
Miscellaneous	77,201	87,793
Total General Revenues	24,877,619	20,745,074
Total Revenues	31,677,104	27,105,394

(continued)

**Penta Career Center**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

<u>Expenses</u>	<u>2005</u>	<u>2004</u>
Instruction:		
Regular	\$631,371	\$733,239
Special	1,027,014	934,889
Vocational	11,351,564	10,306,431
Adult/Continuing	756,035	947,695
Support Services:		
Pupils	2,323,134	2,381,700
Instructional Staff	1,962,729	1,970,637
Board of Education	63,398	60,115
Administration	1,434,381	1,394,428
Fiscal	566,563	546,216
Operation and Maintenance of Plant	2,131,214	2,106,739
Central	191,073	185,175
Noninstructional Services	868,706	791,155
Extracurricular Activities	626	190
Intergovernmental	10,000	0
Interest and Fiscal Charges	3,075,609	838,699
Total Expenses	<u>26,393,417</u>	<u>23,197,308</u>
Increase in Net Assets	<u>\$5,283,687</u>	<u>\$3,908,086</u>

Program revenues accounted for 21 percent of total revenues received in fiscal year 2005, which is slightly less than last fiscal year. These revenues consisted of tuition and fees, charges for providing lunches to students, vocational services grants for specified purposes, and gifts and donations. Operating grants and contributions increased from the Career Center being awarded additional vocational monies in fiscal year 2005 due to increased enrollment. The majority of general revenues consisted of property taxes and unrestricted grants and entitlements. Fiscal year 2005 reflects a full year's collection of the one mill property tax levy that was passed during fiscal year 2003. Due to the large amount of cash available to be invested during fiscal year 2005, interest revenue increased by \$1,470,925. Total revenues increased 17 percent due to property tax and interest revenue increases.

Costs for providing instruction only increased 6.5 percent from the prior fiscal year and remained a little over half of all of the Career Center's expenses. The percentage of total expenses for support services and noninstructional expenses were 33 percent and 3 percent, respectively, as compared to 37 percent and 3 percent, respectively, for fiscal year 2004. Support services include costs associated with providing support to pupils and teachers, along with expenses relating to the administration and maintenance of buildings. Noninstructional expenses consist of food services to students. Interest and fiscal charges expense increased significantly from the interest paid on the certificates of participation.

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

**Penta Career Center**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

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

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Instruction:				
Regular	\$631,371	\$733,239	\$603,217	\$692,769
Special	1,027,014	934,889	(95,325)	(33,517)
Vocational	11,351,564	10,306,431	7,895,051	7,268,252
Adult/Continuing	756,035	947,695	(728,902)	(171,987)
Support Services:				
Pupils	2,323,134	2,381,700	2,297,579	1,895,341
Instructional Staff	1,962,729	1,970,637	1,962,554	1,970,387
Board of Education	63,398	60,115	63,398	60,115
Administration	1,434,381	1,394,428	1,434,381	1,394,428
Fiscal	566,563	546,216	566,563	546,216
Operation and Maintenance of Plant	2,131,214	2,106,739	2,131,214	2,106,739
Central	191,073	185,175	191,073	185,175
Noninstructional Services	868,706	791,155	186,894	84,181
Extracurricular Activities	626	190	626	190
Intergovernmental	10,000	0	10,000	0
Interest and Fiscal Charges	3,075,609	838,699	3,075,609	838,699
Total Expenses	\$26,393,417	\$23,197,308	\$19,593,932	\$16,836,988

All costs associated with special instruction was funded by a portion of the Career Center's State foundation revenue. Although the Career Center's main function is to provide vocational training to high school and adult students, only 30 percent of program revenues are specifically received to provide the instruction. The Career Center funds 56 percent of its total instruction costs and almost all of the support services costs with property taxes and unrestricted grants and entitlements. Adult/continuing expenses were fully funded by tuition and fees and grants for fiscal year 2004 and fiscal year 2005.

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

**Penta Career Center**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

**GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS**

The Career Center's governmental funds are accounted for using the modified accrual basis of accounting. The Career Center's major governmental funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement and Building capital projects funds. For the General Fund, both revenues and expenditures were very comparable to the prior fiscal year. The excess of revenues over expenditures in the General Fund was \$2,583,408 indicating that the Career Center continues to carefully allocate resources. The General Fund continues to transfer funds to the Permanent Improvement capital projects fund for renovations, debt service requirements, and to set aside funding for the Career Center's construction of a new campus.

The excess of revenues over expenditures in the Permanent Improvement capital projects fund was \$4,389,758. Revenues increased significantly from the receipt of property tax revenues (which included the new levy). While expenditures also increased, the increase was minimal. Transfers were made to the Bond Retirement debt service fund for the scheduled principal and interest payments on the certificates of participation.

Expenditures exceeded revenues in the Building capital projects fund, in the amount of \$1,842,533, as the plans and specifications for the new campus were completed.

**BUDGETARY HIGHLIGHTS**

The Career Center prepares an annual budget of revenues and expenditures for all funds of the Career Center for use by the Career Center's administration, management, and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations resolution which is effective the first day of July. The Career Center's most significant budgeted fund is the General Fund. During fiscal year 2005, the Career Center amended its General Fund budget as needed.

For the General Fund, final budgeted revenues decreased less than 1 percent from the original revenue estimates and actual revenues also changed less than 1 percent from the final budget. Final appropriations also decreased less than 1 percent from the original budget. Actual expenditures were 4 percent less than the final appropriations. The primary cause of this was that the Career Center kept costs down relating to purchased services in the vocational instruction and administration support services functions, and in materials and supplies expenditures in the vocational instruction function.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - The primary increase in capital assets is from the purchase of land and construction in progress for the new campus being greater than the depreciation expense on capital assets during fiscal year 2005. Note 9 provides additional details regarding capital assets.

**Penta Career Center**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

Debt - The Career Center had two outstanding debt issues. The land acquisition bonds, in the amount of \$2,615,000, pertain to the acquisition of property for the construction of the new campus. The bonds are paid from transfers from the General Fund. The Career Center also entered into a leasing arrangement for constructing, equipping, and furnishing a new campus. The outstanding balance on the certificates of participation was \$63,865,000, at June 30, 2005. The leasing agreement will be paid from a one mill permanent improvement property tax levy.

In addition to the debt outlined above, the Career Center's long-term obligations also include compensated absences. Note 16 provides additional details regarding long-term obligations.

**CURRENT ISSUES**

During fiscal year 2005, the Career Center was in the process of completing the plans and specifications for the new campus. A contract was awarded in November 2005 for preliminary site preparation work. Bids for the project will be solicited in November 2005 with contracts scheduled to be awarded in January 2006. Penta Career Center held the formal groundbreaking ceremony in October 2005 and expects the project to be completed in the early summer of 2009.

House Bill 66 phases out the tangible personal property tax of general businesses, telephone and telecommunication companies, and railroads. The bill provides schools and local governments with reimbursements for the lost tax revenue. In the first five years, the Career Center will be reimbursed fully for lost revenue. In the following seven years, the reimbursements are phased out by reducing the assessment rate on the property each year. The fixed rate levy tax loss reimbursement will be made on the base tax year of 2004 amount and takes into consideration reductions in place before House Bill 66 was passed.

A three-year contract was successfully negotiated in May 2005 for classified employees giving support staff increases of 3.5 percent, 3.25 percent, and 3.25 percent, respectively, in July 2005, July 2006, and July 2007. The terms of health insurance are directly tied to the certified employees' contract and were effective on July 1, 2004. Support staff may accumulate up to two hundred eighty-five days of sick leave. The new contract period is July 1, 2005, through June 30, 2008.

**REQUEST FOR INFORMATION**

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

**Penta Career Center**  
*Statement of Net Assets*  
*June 30, 2005*

	Governmental Activities
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$38,504,634
Investments	45,701,455
Accounts Receivable	31,117
Intergovernmental Receivable	164,136
Accrued Interest Receivable	41,495
Prepaid Items	248,009
Inventory Held for Resale	11,209
Materials and Supplies Inventory	3,345
Property Taxes Receivable	16,092,501
Unamortized Issuance Costs	1,641,244
Nondepreciable Capital Assets	8,556,392
Depreciable Capital Assets, Net	6,314,083
<i>Total Assets</i>	117,309,620
<b><u>Liabilities</u></b>	
Accrued Wages and Benefits Payable	2,016,527
Accounts Payable	140,271
Contracts Payable	357,272
Matured Compensated Absences Payable	54,309
Special Termination Benefits Payable	3,000
Intergovernmental Payable	333,243
Accrued Interest Payable	712,054
Deferred Revenue	14,368,929
Long-Term Liabilities	
Due Within One Year	1,686,084
Due in More Than One Year	68,172,769
<i>Total Liabilities</i>	87,844,458
<b><u>Net Assets</u></b>	
Invested in Capital Assets, Net of Related Debt	10,490,516
Restricted for:	
Capital Projects	19,533,018
Other Purposes	189,072
Unrestricted (Deficit)	(747,444)
<i>Total Net Assets</i>	\$29,465,162

See accompanying notes to the basic financial statements

**Penta Career Center**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b><u>Governmental Activities</u></b>				
Instruction:				
Regular	\$631,371	\$0	\$28,154	(\$603,217)
Special	1,027,014	0	1,122,339	95,325
Vocational	11,351,564	155,320	3,301,193	(7,895,051)
Adult/Continuing	756,035	538,511	492,556	275,032
Support Services:				
Pupils	2,323,134	0	479,425	(1,843,709)
Instructional Staff	1,962,729	175	0	(1,962,554)
Board of Education	63,398	0	0	(63,398)
Administration	1,434,381	0	0	(1,434,381)
Fiscal	566,563	0	0	(566,563)
Operation and Maintenance of Plant				
Central	2,131,214	0	0	(2,131,214)
Noninstructional Services	868,706	597,862	83,950	(186,894)
Extracurricular Activities	626	0	0	(626)
Intergovernmental	10,000	0	0	(10,000)
Interest and Fiscal Charges	3,075,609	0	0	(3,075,609)
<i>Total Governmental Activities</i>	\$26,393,417	\$1,291,868	\$5,507,617	(19,593,932)

**General Revenues**

Property Taxes Levied for General Purposes	9,747,714
Permanent Improvement	4,691,421
Payment in Lieu of Taxes	142,485
Grants and Entitlements not Restricted to Specific Programs	8,423,201
Interest	1,795,597
Miscellaneous	77,201
<i>Total General Revenues</i>	24,877,619
<i>Change in Net Assets</i>	5,283,687
<i>Net Assets at Beginning of Year</i>	24,181,475
<i>Net Assets at End of Year</i>	\$29,465,162

See accompanying notes to the basic financial statements

**Penta Career Center**  
*Balance Sheet*  
**Governmental Funds**  
*June 30, 2005*

	General	Bond Retirement	Permanent Improvement	Building	Other Governmental	Total
<b><u>Assets</u></b>						
Equity in Pooled Cash and Cash Equivalents	\$3,550,704	\$417	\$18,267,035	\$16,333,217	\$353,261	\$38,504,634
Investments	0	4,209,528	0	41,491,927	0	45,701,455
Accounts Receivable	31,117	0	0	0	0	31,117
Intergovernmental Receivable	1,100	0	0	0	163,036	164,136
Accrued Interest Receivable	8,320	0	0	33,175	0	41,495
Prepaid Items	58,468	0	0	189,541	0	248,009
Inventory Held for Resale	0	0	0	0	11,209	11,209
Materials and Supplies Inventory	0	0	0	0	3,345	3,345
Interfund Receivable	156,302	0	0	0	0	156,302
Property Taxes Receivable	10,931,499	0	5,161,002	0	0	16,092,501
<i>Total Assets</i>	<u>\$14,737,510</u>	<u>\$4,209,945</u>	<u>\$23,428,037</u>	<u>\$58,047,860</u>	<u>\$530,851</u>	<u>\$100,954,203</u>
<b><u>Liabilities and Fund Balances</u></b>						
<b><u>Liabilities</u></b>						
Accrued Wages and Benefits Payable	\$1,951,629	\$0	\$0	\$0	\$64,898	\$2,016,527
Accounts Payable	111,446	0	0	5,940	22,885	140,271
Contracts Payable	0	0	0	357,272	0	357,272
Matured Compensated Absences Payable	54,309	0	0	0	0	54,309
Intergovernmental Payable	306,139	0	0	0	27,104	333,243
Interfund Payable	0	0	0	15,625	140,677	156,302
Deferred Revenue	10,265,502	0	4,829,249	26,208	148,598	15,269,557
<i>Total Liabilities</i>	<u>12,689,025</u>	<u>0</u>	<u>4,829,249</u>	<u>405,045</u>	<u>404,162</u>	<u>18,327,481</u>
<b><u>Fund Balances</u></b>						
Reserved for Property Taxes	638,797	0	300,338	0	0	939,135
Reserved for Encumbrances	489,596	0	0	6,271,620	65,159	6,826,375
Unreserved, Reported in						
General Fund	920,092	0	0	0	0	920,092
Special Revenue Funds	0	0	0	0	61,530	61,530
Debt Service Fund	0	4,209,945	0	0	0	4,209,945
Capital Projects Funds	0	0	18,298,450	51,371,195	0	69,669,645
<i>Total Fund Balances</i>	<u>2,048,485</u>	<u>4,209,945</u>	<u>18,598,788</u>	<u>57,642,815</u>	<u>126,689</u>	<u>82,626,722</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$14,737,510</u>	<u>\$4,209,945</u>	<u>\$23,428,037</u>	<u>\$58,047,860</u>	<u>\$530,851</u>	<u>\$100,954,203</u>

See accompanying notes to the basic financial statements

**Penta Career Center**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2005*

<i>Total Governmental Fund Balances</i>	\$82,626,722
 <i>Amounts reported for governmental activities on the statement of net assets are different because of the following:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,870,475
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Intergovernmental Receivable	148,598
Accrued Interest Receivable	34,528
Property Taxes Receivable	717,502
	900,628
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.	1,641,244
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Special Termination Benefits Payable	(3,000)
Accrued Interest Payable	(712,054)
General Obligation Bonds Payable	(2,615,000)
Certificates of Participation Payable	(64,758,604)
Compensated Absences Payable	(2,485,249)
	(70,573,907)
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$29,465,162</u></u>

See accompanying notes to the basic financial statements

**Penta Career Center**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

	General	Bond Retirement	Permanent Improvement	Building	Other Governmental	Total
<b>Revenues</b>						
Property Taxes	\$9,506,136	\$0	\$4,504,418	\$0	\$0	\$14,010,554
Payment in Lieu of Taxes	142,485	0	0	0	0	142,485
Intergovernmental	12,224,584	0	516,324	0	1,071,619	13,812,527
Interest	186,324	3,118	306,063	1,323,128	0	1,818,633
Tuition and Fees	155,949	0	0	0	392,090	548,039
Charges for Services	368,984	0	0	0	368,550	737,534
Extracurricular Activities	15,812	0	0	0	0	15,812
Gifts and Donations	32,312	0	0	0	0	32,312
Miscellaneous	28,955	0	0	17,777	30,469	77,201
<b>Total Revenues</b>	<b>22,661,541</b>	<b>3,118</b>	<b>5,326,805</b>	<b>1,340,905</b>	<b>1,862,728</b>	<b>31,195,097</b>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	604,825	0	0	0	0	604,825
Special	956,984	0	0	0	0	956,984
Vocational	10,731,902	0	0	0	16,200	10,748,102
Adult/Continuing	125,981	0	0	0	626,521	752,502
Support Services:						
Pupils	1,803,005	0	0	0	458,919	2,261,924
Instructional Staff	1,717,701	0	0	0	211,155	1,928,856
Board of Education	63,398	0	0	0	0	63,398
Administration	1,067,152	0	0	0	314,095	1,381,247
Fiscal	478,780	0	66,873	15,625	0	561,278
Operation and Maintenance of Plant	2,067,638	0	0	0	0	2,067,638
Central	185,191	0	0	0	6,000	191,191
Noninstructional Services	275,576	0	0	0	560,169	835,745
Extracurricular Activities	0	0	0	0	626	626
Capital Outlay	0	0	436,401	3,167,813	0	3,604,214
Intergovernmental	0	0	0	0	10,000	10,000
Debt Service:						
Principal Retirement	0	1,135,000	310,000	0	0	1,445,000
Interest and Fiscal Charges	0	2,936,649	123,773	0	0	3,060,422
<b>Total Expenditures</b>	<b>20,078,133</b>	<b>4,071,649</b>	<b>937,047</b>	<b>3,183,438</b>	<b>2,203,685</b>	<b>30,473,952</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>2,583,408</i>	<i>(4,068,531)</i>	<i>4,389,758</i>	<i>(1,842,533)</i>	<i>(340,957)</i>	<i>721,145</i>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	4,071,649	2,750,000	0	302,159	7,123,808
Transfers Out	(3,052,159)	0	(4,071,649)	0	0	(7,123,808)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,052,159)</b>	<b>4,071,649</b>	<b>(1,321,649)</b>	<b>0</b>	<b>302,159</b>	<b>0</b>
<b>Changes in Fund Balances</b>	<b>(468,751)</b>	<b>3,118</b>	<b>3,068,109</b>	<b>(1,842,533)</b>	<b>(38,798)</b>	<b>721,145</b>
<b>Fund Balances at Beginning of Year</b>	<b>2,517,236</b>	<b>4,206,827</b>	<b>15,530,679</b>	<b>59,485,348</b>	<b>165,487</b>	<b>81,905,577</b>
<b>Fund Balances at End of Year</b>	<b>\$2,048,485</b>	<b>\$4,209,945</b>	<b>\$18,598,788</b>	<b>\$57,642,815</b>	<b>\$126,689</b>	<b>\$82,626,722</b>

See accompanying notes to the basic financial statements

**Penta Career Center**  
*Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement of Activities  
For the Fiscal Year Ended June 30, 2005*

*Changes in Fund Balances - Total Governmental Funds* \$721,145

***Amounts reported for governmental activities on the  
statement of activities are different because of the following:***

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

Nondepreciable Assets	3,449,203	
Depreciable Assets	243,252	
Depreciation	<u>(777,742)</u>	
		2,914,713

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (8,188)

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

Property Taxes	428,581	
Intergovernmental	85,979	
Interest	(23,036)	
Charges for Services	<u>(9,517)</u>	
		482,007

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 1,445,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	(2,631)	
Amortization of Premium	<u>17,202</u>	
		14,571

Issuance costs are reported as an expenditure when paid in the governmental funds, but is amortized on the statement of activities. (29,758)

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Intergovernmental Payable	10,836	
Special Termination Benefits Payable	(1,500)	
Compensated Absences Payable	<u>(265,139)</u>	
		<u>(255,803)</u>

*Change in Net Assets of Governmental Activities* \$5,283,687

See accompanying notes to the basic financial statements

**Penta Career Center**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2005*

	Private Purpose Trust	Agency
<b><u>Assets</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$8,192	\$11,649
<b><u>Liabilities</u></b>		
Accounts Payable	0	\$23
Due to Students	0	11,626
<i>Total Liabilities</i>	0	\$11,649
<b><u>Net Assets</u></b>		
Held in Trust for Students	\$8,192	

See accompanying notes to the basic financial statements

**Penta Career Center**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2005*

<b><u>Additions</u></b>	
Gifts and Donations	\$3,600
Miscellaneous	432
	<hr/>
Total Additions	4,032
 <b><u>Deductions</u></b>	
Noninstructional Services	3,599
	<hr/>
<i>Change in Net Assets</i>	433
 <i>Net Assets at Beginning of Year</i>	 7,759
	<hr/>
<i>Net Assets at End of Year</i>	<u><u>\$8,192</u></u>

See accompanying notes to the basic financial statements

Penta Career Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

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

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

**Reporting Entity**

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

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

The Career Center participates in two jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Ohio School Plan, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Wood County Insurance Consortium. These organizations are presented in Notes 19 and 20 to the basic financial statements.

Penta Career Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**Note 2 - Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

Penta Career Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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Governmental Funds

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

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

Bond Retirement Fund - The Bond Retirement debt service fund accounts for the accumulation of resources for, and the payment of principal, interest, and related costs of the high school general obligation bonds.

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

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

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

Fiduciary Funds

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

**C. Measurement Focus**

Government-Wide Financial Statements

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

Penta Career Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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Fund Financial Statements

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

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

**D. Basis of Accounting**

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

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

Penta Career Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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Property taxes for which there was an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**E. Budgetary Process**

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

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

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

**F. Cash and Investments**

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

Penta Career Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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During fiscal year 2005, the Career Center's investments included nonnegotiable certificates of deposit, commercial paper, federal agency securities, mutual funds, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price for mutual funds. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

The Board of Education, by resolution, allocates interest earnings at the end of each fiscal year. Interest revenue credited to the General Fund during fiscal year 2005 was \$186,324, which includes \$76,818 assigned from other Career Center funds.

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

#### **G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

#### **H. Inventory**

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

#### **I. Unamortized Issuance Costs**

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

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

#### **J. Capital Assets**

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

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Career Center maintains a capitalization threshold of five thousand dollars. The Career Center does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Penta Career Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

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

**K. Interfund Assets/Liabilities**

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

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the Career Center will compensate the employees for the benefits through paid time off or some other means. The Career Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and special termination benefits that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds and certificates of participation are recognized as liabilities on the fund financial statements when due.

Penta Career Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Career Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants restricted to expenditure for specified purposes. The Career Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The amount of net assets restricted by enabling legislation was \$15,884,106 as of June 30, 2005.

**O. Fund Balance Reserves**

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

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

**P. Unamortized Premiums**

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

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

**Q. Interfund Transactions**

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

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

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For the Fiscal Year Ended June 30, 2005

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**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 management and are either unusual in nature or infrequent in occurrence.

**S. Estimates**

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

**Note 3 - Change in Accounting Principles**

For fiscal year 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to deposit and investment risks. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Technical Bulletin 2004-2 establishes new guidance addressing the amount that should be recognized as expenditures/expenses and as liabilities each period by employers participating in cost-sharing multiple-employer pension and other postemployment benefit plans. The implementation of this bulletin did not result in any change to the School District's financial statements.

**Note 4 - Accountability**

At June 30, 2005, the Food Service, Vocational Enhancements, Adult Basic Literacy Education, Vocational Education, and Title VI special revenue funds had deficit fund balances of \$8,522, \$6,318, \$8,160, \$110,007, and \$2,853, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 5 - Deposits and Investments**

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

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

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

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

Interim monies held by the Career Center may be deposited or invested in the following securities:

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

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

Deposits

At fiscal year end the carrying amount of the Career Center's deposits was \$4,263,359. The Career Center also had cash on hand of \$1,923. Custodial credit risk for deposits is the risk that in the event of bank failure, the Career Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$4,142,592 of the Career Center's bank balance of \$4,342,592 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department; of which \$2,465,779 was collateralized in the pledging financial institution's name. None of the financial institutions have met the requirement of the Financial Institutions Reform, Recovery, and Enforcement Act.

The Career Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Career Center or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2005, the School District had the following investments:

	Total	Less Than Three Months	Three Months to Six Months	Six Months to One Year
Commercial Paper	\$12,925,751	\$12,925,751	\$0	\$0
Federal Farm Credit Bank Discounted Notes	5,969,413	5,969,413	0	0
Federal Home Loan Bank Notes	11,911,260	9,933,460	1,977,800	0
Federal Home Loan Mortgage Corporation Notes	44,717,633	19,931,708	12,086,401	12,699,524
Federal National Mortgage Association Notes	3,985,018	998,128	2,986,890	0
Mutual Funds	278,844	278,844	0	0
STAR Ohio	<u>172,729</u>	<u>172,729</u>	<u>0</u>	<u>0</u>
Total	<u>\$79,960,648</u>	<u>\$50,210,033</u>	<u>\$17,051,091</u>	<u>\$12,699,524</u>

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

	Building	Bond Retirement
Commercial Paper	\$6,943,700	\$0
Federal Farm Credit Bank		
Discounted Notes	4,974,500	0
Federal Home Loan Bank Notes	9,926,940	0
Federal Home Loan Mortgage		
Corporation Notes	32,541,541	4,209,528
Federal National Mortgage		
Association Notes	2,986,890	0
Mutual Funds	278,844	417
STAR Ohio	172,729	0
Total Investments	\$57,825,144	\$4,209,945

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

The School District has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The commercial paper; Federal Farm Credit Bank notes, in the amount of \$5,969,413; Federal Home Loan Bank notes, in the amount of \$8,920,620; Federal Home Loan Mortgage Corporation notes, in the amount of \$37,763,759; and Federal National Mortgage Association notes, in the amount of \$998,128, carry a rating of Prime 1 by Moodys and A-1+ by Standards and Poor's. The remaining investments in Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, and Federal National Mortgage Association Notes, carry a rating of Aaa by Moodys and AAA by Standard and Poor's. The money market mutual funds carry a rating of AAAM by Standard and Poor's. STAR Ohio carries a rating of AAAM by Standard and Poor's.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The commercial paper, Federal Farm Credit Bank notes, Federal Home Loan Bank notes, Federal Home Loan Mortgage Corporation notes, Federal National Mortgage Association notes, and mutual funds are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no policy dealing with custodial credit risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, 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".

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

	Fair Value	Percentage of Portfolio
Commercial Paper	\$12,925,751	16.17%
Federal Farm Credit Bank Discounted Notes	5,969,413	7.46
Federal Home Loan Bank Notes	11,911,260	14.90
Federal Home Loan Mortgage Corporation Notes	44,717,633	55.92
Federal National Mortgage Association Notes	3,985,018	4.98
Mutual Funds	278,844	0.35
STAR Ohio	172,729	0.22
Total	\$79,960,648	100.00%

**Note 6 - Receivables**

Receivables at June 30, 2005, consisted of accounts (student fees and billings for user charged services), intergovernmental, accrued interest, interfund, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	\$1,100
Other Governmental Funds	
Adult Education	11,273
Adult Basic Literacy Education	19,045
Vocational Education	19,108
Perkins	107,592
Title V	2,853
Drug Free	3,165
Total Other Governmental Funds	163,036
Total Intergovernmental Receivables	\$164,136

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Notes to the Basic Financial Statements  
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**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the area served by the Career Center. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Career Center prior to June 30. For fiscal year 2005, the settlements from Fulton, Henry, and Lucas Counties were delayed beyond fiscal year end.

The Career Center receives property taxes from Fulton, Hancock, Henry, Lucas, Ottawa, Sandusky, and Wood Counties. The County Auditors periodically advance to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2005, was \$638,797 in the General Fund and \$300,338 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2004, was \$875,854 in the General Fund and \$428,605 in the Permanent Improvement capital projects fund.

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The late tax settlements made by the Counties for fiscal year 2005 were \$35,520 in the General Fund and \$31,413 in the Permanent Improvement capital projects fund. The late tax settlements made by the Counties for fiscal year 2004 were \$93,344 in the General Fund and \$42,429 in the Permanent Improvement capital projects fund.

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

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Real	\$4,494,743,511	84.16%	\$4,636,401,400	85.69%
Public Utility	234,592,870	4.39	245,550,110	4.54
Tangible Personal	611,357,877	11.45	528,930,342	9.77
Total Assessed Value	<u>\$5,340,694,258</u>	<u>100.00%</u>	<u>\$5,410,881,552</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$3.20		\$3.20	

**Note 8 - Payment in Lieu of Taxes**

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

**Note 9 - Capital Assets**

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

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$4,408,020	\$347,293	\$0	\$4,755,313
Construction in Progress	629,217	3,171,862	0	3,801,079
Total Nondepreciable Capital Assets	<u>5,037,237</u>	<u>3,519,155</u>	<u>0</u>	<u>8,556,392</u>

Continued

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Notes to the Basic Financial Statements  
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	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
Depreciable Capital Assets				
Land Improvements	\$396,682	\$0	\$0	\$396,682
Buildings and Building Improvements	14,425,796	95,008	0	14,520,804
Furniture, Fixtures, and Equipment	2,927,055	78,292	(63,969)	2,941,378
Vehicles	877,440	0	0	877,440
Total Depreciable Capital Assets	<u>18,626,973</u>	<u>173,300</u>	<u>(63,969)</u>	<u>18,736,304</u>
Less Accumulated Depreciation				
Land Improvements	(288,346)	(21,866)	0	(310,212)
Buildings and Building Improvements	(9,249,154)	(515,905)	0	(9,765,059)
Furniture, Fixtures, and Equipment	(1,581,202)	(155,174)	55,781	(1,680,595)
Vehicles	(581,558)	(84,797)	0	(666,355)
Total Accumulated Depreciation	<u>(11,700,260)</u>	<u>(777,742)</u>	<u>55,781</u>	<u>(12,422,221)</u>
Depreciable Capital Assets, Net	<u>6,926,713</u>	<u>(604,442)</u>	<u>(8,188)</u>	<u>6,314,083</u>
Governmental Activities Capital Assets, Net	<u>\$11,963,950</u>	<u>\$2,914,713</u>	<u>(\$8,188)</u>	<u>\$14,870,475</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$25,911
Special	40,325
Vocational	503,055
Adult/Continuing	2,460
Support Services:	
Pupils	54,961
Instructional Staff	36,286
Administration	30,204
Fiscal	441
Operation and Maintenance of Plant	57,324
Noninstructional Services	26,775
Total Depreciation Expense	<u>\$777,742</u>

**Note 10 - Interfund Assets/Liabilities**

At June 30, 2005, the General Fund had an interfund receivable, in the amount of \$156,302; \$15,625 from the Building capital projects fund for a short-term loan and \$140,677 from other governmental funds to provide cash flow resources until the receipt of grant monies.

Penta Career Center  
Notes to the Basic Financial Statements  
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**Note 11 - Risk Management**

The Career Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the Career Center contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Excess Liability	2,000,000

Coverage provided by the Netherlands Insurance Company is as follows:

Building	44,432,304
Computer Equipment	2,415,653
Computer Software	100,000
Automobile Liability	1,000,000

Coverage provided by Great American Insurance Group is as follows:

Builders Risk	80,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2005, the Career Center participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

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

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**Note 12 - Contractual Obligations**

As of June 30, 2005, the School District had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Rudolph/Libbe, Inc.	Construction Manager	\$3,660,509
TCI/TMP	Architect and Engineer	2,411,343
Kegler Brown Hill and Ritter	Legal Fees	195,809

**Note 13 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

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

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

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

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For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the Career Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Career Center's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004, and 2003 was \$1,662,036, \$1,563,468 and \$1,511,137 respectively; 100 percent has been contributed for fiscal years 2005, 2004, and 2003. Contributions for the DCP and CP for the fiscal year ended June 30, 2005, were \$11,884 made by the Career Center and \$20,257 made by plan members.

**B. School Employees Retirement System**

The Career Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the Career Center was required to contribute an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Career Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 was \$334,101, \$291,541, and \$283,683, respectively; 93 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003.

**C. Social Security System**

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

**Note 14 - Postemployment Benefits**

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

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STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the Career Center, this amount was \$118,718.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. 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 50 percent premium reduction is allowed for retirees whose household income falls below federal poverty levels.

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the Career Center, the amount to fund health care benefits, including the surcharge, was \$95,027 for fiscal year 2005.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants currently receiving health care benefits.

## **Note 15 - Other Employee Benefits**

### **A. Compensated Absences**

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

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

Penta Career Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

Upon retirement, administrators and administrative support staff are entitled to one-fourth of accrued, but unused sick leave credit to a maximum of seventy-one and one-half days.

Upon retirement, classified employees are entitled to one-fourth of accrued, but unused sick leave credit to a maximum of sixty-six and one-fourth days.

**B. Health Care Benefits**

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

**C. Special Termination Benefit**

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

**Note 16 - Long-Term Obligations**

Changes in the Career Center's long-term obligations during fiscal year 2005 were as follows:

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
2002 Land Acquisition Bonds 2.5 - 5.25%	\$2,925,000	\$0	\$310,000	\$2,615,000	\$330,000
2004 Certificates of Participation 1.4 - 5%	65,000,000	0	1,135,000	63,865,000	1,205,000
Premium on Certificates of Participation	910,806	0	17,202	893,604	0
Total General Long Term Obligations	68,835,806	0	1,462,202	67,373,604	1,535,000
Compensated Absences Payable	2,220,110	319,448	54,309	2,485,249	151,084
Total Governmental Activities Long-Term Obligations	<u>\$71,055,916</u>	<u>\$319,448</u>	<u>\$1,516,511</u>	<u>\$69,858,853</u>	<u>\$1,686,084</u>

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

Penta Career Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

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

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

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

At June 30, 2005, the total amount of these proceeds expended for governmental construction was \$3,406,203.

Compensated absences will be paid from the General Fund and the Food Service, Adult Education, Adult Basic Literacy Education, and Technical Preparation special revenue funds.

The Career Center's overall debt margin was \$481,132,932 with an unvoted debt margin of \$2,759,977 at June 30, 2005.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2005, were as follows:

Fiscal Year Ending	Land Acquisition Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2006	\$330,000	\$109,670	\$1,205,000	\$2,810,831
2007	340,000	96,348	1,220,000	2,792,756
2008	355,000	81,656	1,250,000	2,765,306
2009	370,000	64,223	1,300,000	2,715,306
2010	390,000	45,930	1,330,000	2,684,431
2011-2015	830,000	37,800	7,520,000	12,545,100
2016-2020	0	0	9,270,000	10,798,413
2021-2025	0	0	11,690,000	8,383,325
2026-2030	0	0	14,680,000	5,396,737
2031-2034	0	0	14,400,000	1,655,550
Totals	<u>\$2,615,000</u>	<u>\$435,627</u>	<u>\$63,865,000</u>	<u>\$52,547,755</u>

Penta Career Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**Note 17 - Set Asides**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2005.

	Textbooks	Capital Improvements
Balance June 30, 2004	\$0	\$0
Current Year Set Aside Requirement	263,762	263,762
Qualifying Expenditures	(263,762)	(219,172)
Current Year Offsets	0	(44,590)
Balance June 30, 2005	\$0	\$0

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

**Note 18 - Interfund Transfers**

During fiscal year 2005, the General Fund made transfers to the Permanent Improvement capital projects fund, in the amount of \$2,750,000, to pay principal on the land acquisition general obligation bonds and to set aside resources for the construction of a new campus. The General Fund also made transfers to other governmental funds, in the amount of \$302,159, to subsidize the operations of food service and adult education.

The Permanent Improvement capital projects fund made transfers to the Bond Retirement debt service fund, in the amount of \$4,071,649, to pay principal and interest on the certificates of participation.

**Note 19 - Jointly Governed Organizations**

**A. Northwest Ohio Computer Association**

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

Penta Career Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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The NWOCA Assembly consists of a superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2005, the Career Center paid \$42,879 to NWOCA for various services. Financial information can be obtained from Robin Pfund, who serves as Treasurer, 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

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

**Note 20 - Insurance Pools**

**A. Ohio School Plan**

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

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

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

Penta Career Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**C. Wood County Insurance Consortium**

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

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

**Note 21 - Contingencies**

**A. Grants**

The Career Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Career Center at June 30, 2005.

**B. Litigation**

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

**Note 22 – Subsequent Event**

Subsequent to year end, the Career Center awarded contracts related to the construction of the new campus totaling \$69,657,800.

**Penta Career Center**  
*Schedule of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget (Non-GAAP Budgetary Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
<b><u>Revenues</u></b>				
Property Taxes	\$9,749,354	\$9,749,354	\$9,801,017	\$51,663
Payment in Lieu of Taxes	0	142,485	142,485	0
Intergovernmental	12,693,545	12,168,816	12,224,587	55,771
Interest	75,000	75,000	127,935	52,935
Tuition and Fees	155,319	155,949	155,949	0
Charges for Services	211,250	365,235	360,132	(5,103)
Extracurricular Activities	18,600	18,600	15,812	(2,788)
Gifts and Donations	0	29,226	32,312	3,086
Miscellaneous	10,100	10,100	27,855	17,755
<i>Total Revenues</i>	<u>22,913,168</u>	<u>22,714,765</u>	<u>22,888,084</u>	<u>173,319</u>
<b><u>Expenditures</u></b>				
Current:				
Instruction:				
Regular	509,504	520,967	618,323	97,356
Special	932,622	940,574	919,332	(21,242)
Vocational	10,447,573	11,020,419	10,669,456	(350,963)
Adult/Continuing	3,241	131,115	128,856	(2,259)
Support Services:				
Pupils	1,950,716	1,965,716	1,852,806	(112,910)
Instructional Staff	1,727,881	1,752,241	1,758,446	6,205
Board of Education	92,921	92,921	62,560	(30,361)
Administration	2,108,697	1,264,276	1,119,736	(144,540)
Fiscal	562,906	562,906	506,104	(56,802)
Operation and Maintenance of Plant	2,376,096	2,376,096	2,299,873	(76,223)
Central	303,349	303,349	203,795	(99,554)
Noninstructional Services	304,473	316,473	294,008	(22,465)
<i>Total Expenditures</i>	<u>21,319,979</u>	<u>21,247,053</u>	<u>20,433,295</u>	<u>(813,758)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,593,189</u>	<u>1,467,712</u>	<u>2,454,789</u>	<u>987,077</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Other Financing Uses	(200,000)	(200,000)	0	200,000
Advances In	154,015	154,015	154,015	0
Advances Out	(200,000)	(200,000)	(140,677)	59,323
Transfers Out	(2,000,000)	(3,052,159)	(3,052,159)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,245,985)</u>	<u>(3,298,144)</u>	<u>(3,038,821)</u>	<u>259,323</u>
<i>Changes in Fund Balance</i>	(652,796)	(1,830,432)	(584,032)	1,246,400
<i>Fund Balance at Beginning of Year</i>	3,044,973	3,044,973	3,044,973	0
<i>Prior Year Encumbrances Appropriated</i>	419,242	419,242	419,242	0
<i>Fund Balance at End of Year</i>	<u>\$2,811,419</u>	<u>\$1,633,783</u>	<u>\$2,880,183</u>	<u>\$1,246,400</u>

See accompanying notes to the schedule.

**Penta Career Center**  
*Schedule of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget (Non-GAAP Budgetary Basis) and Actual (continued)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2005*

**Notes:**

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

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

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

Changes in Fund Balance

GAAP Basis	(\$468,751)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received in Cash FY 2005	1,000,177
Accrued FY 2005, Not Yet Received in Cash	(706,534)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(2,165,984)
Accrued FY 2005, Not Yet Paid in Cash	2,407,898
Cash on Hand at Beginning of Year	2,376
Cash on Hand at End of Year	(112)
Change in Fair Value	(69,364)
Prepaid Items	3,969
Advances In	154,015
Advances Out	(140,677)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(601,045)
Budget Basis	(\$584,032)

PENTA CAREER CENTER  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CASH BASIS)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass – Through Grantor/ Program Title	Grantor Number	CFDA Number	Award Amount	Receipts	Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>					
Pell Grant	1340946365AI	84.063	\$97,065	\$97,065	\$97,065
Supplemental Education Opportunity Grant		84.007	5,762	5,762	5,762
<i>Pass through Ohio Department of Education</i>					
VEA-II Funds (Secondary)	CP II-S05	84.048	400,960	297,287	400,960
VEA-II Funds (Adult)	CP II-A05	84.048	52,911	48,991	52,911
VEA-II Funds (Secondary)	CP II-S04	84.048	400,960	104,525	0
VEA-II Funds (Adult)	CP II-A04	84.048	52,911	6,552	0
			<u>907,742</u>	<u>457,355</u>	<u>453,871</u>
Adult Basic Education – FY 2005	AB-S1-05	84.002	112,694	104,735	112,694
Title IV-A – Safe and Drug Free Schools	051359-DRS1-2005	84.186	8,448	4,512	8,448
Title V – Innovative Education	051359-C2S1-2005	84.298	7,566	4,712	7,566
Title II-A – Improving Teacher Quality	051359-TRS1-2005	84.367	10,280	10,280	10,280
TOTAL DEPARTMENT OF EDUCATION			<u>1,149,557</u>	<u>684,421</u>	<u>695,686</u>
<b>U.S. DEPARTMENT OF LABOR</b>					
<i>Pass through Ohio Department of Education</i>					
Workforce Higher Skills FY 04	051359-WF-HS-2004	17.258	11,000	4,000	0
Workforce Higher Skills FY 05	051359-WF-HS-2005	17.258	11,000	0	8,703
TOTAL DEPARTMENT OF LABOR			<u>22,000</u>	<u>4,000</u>	<u>8,703</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Pass through Ohio Department of Education</i>					
Food Distribution Program	Nutrition Cluster	10.550	19,163	19,163	19,163
National School Breakfast Program	Nutrition Cluster	10.553	4,822	4,822	4,822
National School Lunch Program	Nutrition Cluster	10.555	85,535	85,535	85,535
TOTAL DEPARTMENT OF AGRICULTURE			<u>109,520</u>	<u>109,520</u>	<u>109,520</u>
TOTAL RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS			<u>\$1,281,077</u>	<u>\$797,941</u>	<u>\$813,909</u>

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



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Penta Career Center ("Career Center"), as of and for the year ended June 30, 2005, which collectively comprise the Career Center's basic financial statements and have issued our report thereon dated December 13, 2005, except for Note 22 to the financial statements, as to which the date is March 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the Career Center in a separate letter dated December 13, 2005.

Board of Education  
Page Two

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

*Weber O'Brien Ltd.*

December 13, 2005



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

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

Compliance

We have audited the compliance of Penta Career Center ("Career Center"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Career Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Career Center's management. Our responsibility is to express an opinion on the Career Center's compliance based on our audit.

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

In our opinion, the Career Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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

A handwritten signature in cursive script that reads "Weber O'Brien, LLC." The signature is written in black ink and is positioned above the date.

December 13, 2005

PENTA CAREER CENTER  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2005

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		<u>Unqualified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	___X___no
Reportable condition(s) identified not considered to be material weaknesses?	_____yes	___X___none reported
Noncompliance material to financial statements noted?	_____yes	___X___no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____yes	___X___no
Reportable conditions(s) identified not considered to be material weaknesses?	_____yes	___X___none reported

Type of auditors' report issued on compliance for major programs:		<u>Unqualified</u>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____yes	___X___no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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84.048	Vocational Education Basic Grant
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Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
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Auditee qualified as low risk auditee?	___X___yes	_____no
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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

PENTA CAREER CENTER  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2005

NONE



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**PENTA CAREER CENTER**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 4, 2006**