



Dave Yost • Auditor of State

**EHOVE CAREER CENTER
ERIE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the EHOVE Career, Erie County, Ohio (the Career Center), as of and for the year ended June 30, 2010, which collectively comprise the Career Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Career Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the EHOVE Career Center, Erie County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Adult Education, and Other Grants funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2011, on our consideration of the Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Career Center's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by the 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. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 25, 2011

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The management's discussion and analysis of the EHOVE Career Center (the "Career Center") financial performance provides an overall review of the Career Center's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Career Center's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Career Center's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- In total, net assets of governmental activities decreased \$507,891 which represents an 8.95% decrease from 2009.
- General revenues accounted for \$12,102,062 in revenue or 64.79% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,576,525 or 35.21% of total revenues of \$18,678,587.
- The Career Center had \$19,186,478 in expenses related to governmental activities; only \$6,576,525 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,102,062 were not adequate to provide for these programs.
- The Career Center has three major governmental funds; the general fund, the adult education fund and the other grants fund. The general fund had \$12,003,088 in revenues and \$12,103,083 in expenditures and other financing uses. During fiscal 2010, the general fund's fund balance decreased \$100,016 from \$5,272,935 to \$5,172,919.
- Another of the Career Center's major governmental funds is the adult education fund. The adult education fund had \$3,099,133 in revenues and other financing sources and \$2,911,063 in expenditures. During fiscal 2010, the adult education fund's fund balance increased \$174,016 from \$376,636 to \$550,652.
- Another of the Career Center's major governmental funds is the other grants fund. The other grants fund had \$1,871,631 in revenues and \$1,803,131 in expenditures. During fiscal 2010, the other grants fund's fund balance increased \$68,500 from a deficit of \$85,844 to a deficit of \$17,344.

Using the Basic Financial Statements

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

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

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Reporting the Career Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Career Center to provide programs and activities, the view of the Career Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the Career Center's programs and services, including instruction, support services, and food service operations.

Reporting the Career Center's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the Career Center's Fiduciary Responsibilities

The Career Center acts in a trustee capacity as an agent for individuals and other governments or organizations. These activities are reported in agency funds. All of the Career Center's fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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the Career Center's other financial statements because the assets cannot be utilized by the Career Center to finance its operations.

Notes to the Basic Financial Statements

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

The Career Center as a Whole

The statement of net assets provides the perspective of the Career Center as a whole. The table below provides a summary of the Career Center's net assets for 2010 and 2009.

	Net Assets	
	Governmental Activities 2010	Governmental Activities 2009
<u>Assets</u>		
Current and other assets	\$ 13,751,349	\$ 12,488,711
Capital assets, net	<u>1,603,573</u>	<u>1,808,130</u>
Total assets	<u>15,354,922</u>	<u>14,296,841</u>
<u>Liabilities</u>		
Current liabilities	6,133,757	6,200,952
Long-term liabilities	<u>4,055,094</u>	<u>2,421,927</u>
Total liabilities	<u>10,188,851</u>	<u>8,622,879</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	125,573	220,130
Restricted	607,801	465,666
Unrestricted	<u>4,432,697</u>	<u>4,988,166</u>
Total net assets	<u>\$ 5,166,071</u>	<u>\$ 5,673,962</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the Career Center's assets exceeded liabilities by \$5,166,071.

At year-end, capital assets represented 10.44% of total assets. Capital assets include land, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$125,573. These capital assets are used to provide services to the students and are not available for future spending.

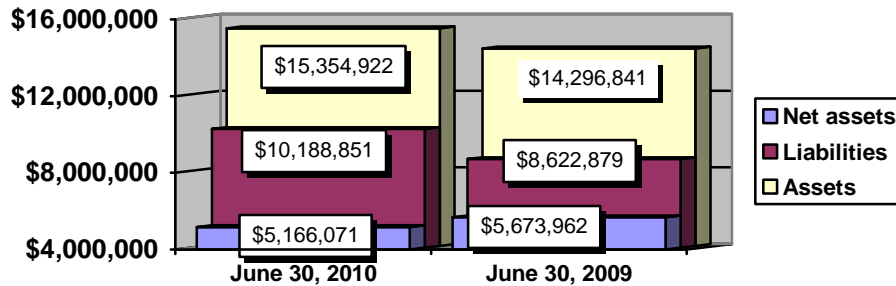
Although the Career Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. The Career Center had no bonded debt outstanding at June 30, 2010; however, the Career Center did have school improvement notes outstanding at June 30, 2010.

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A portion of the Career Center's net assets, \$607,801 represent resources that are subject to external restrictions on how they may be used. The remaining Career Center's net assets, \$4,432,697 are unrestricted net assets and may be used to meet the Career Center's ongoing obligations to the students and creditors.

Governmental Activities



In the graph above the 2010 amount are not correct
The table below shows the change in net assets for fiscal years 2010 and 2009.

Change in Net Assets

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
Revenues		
Program revenues:		
Charges for services and sales	\$ 2,979,265	\$ 2,753,642
Operating grants and contributions	3,597,260	2,792,592
General revenues:		
Taxes	5,766,964	5,848,567
Grants and entitlements	6,130,975	5,522,709
Investment earnings	30,145	142,888
Miscellaneous	<u>173,978</u>	<u>141,402</u>
Total revenues	<u><u>\$18,678,587</u></u>	<u><u>\$17,201,800</u></u>

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Change in Net Assets

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	884,416	860,653
Special	431,592	512,040
Vocational	5,232,858	5,846,455
Adult continuing education	4,834,492	3,300,205
Support services:		
Pupil	997,271	1,112,927
Instructional staff	282,855	229,881
Board of education	63,513	65,308
Administration	2,159,814	2,002,369
Fiscal	488,540	348,777
Business	237,391	233,000
Operations and maintenance	2,435,054	1,792,439
Pupil transportation	15,895	19,820
Central	457,152	471,570
Operations of non-instructional services		
Food service operations	356,170	303,516
Other non instructional services	239,824	2,231
Interest and fiscal charges	<u>69,641</u>	<u>78,676</u>
Total expenses	<u>19,186,478</u>	<u>17,179,867</u>
Change in net assets	(507,891)	21,933
Net assets at beginning of year	<u>5,673,962</u>	<u>5,652,029</u>
Net assets at end of year	<u><u>\$ 5,166,071</u></u>	<u><u>\$ 5,673,962</u></u>

Governmental Activities

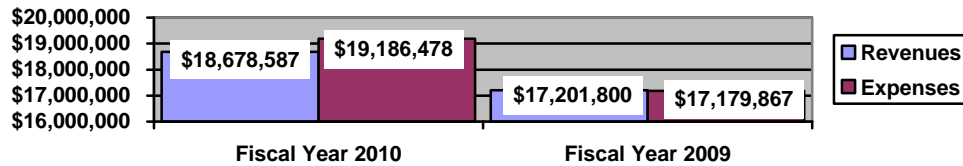
Net assets of the Career Center's governmental activities have decreased by \$507,891 or 8.95% from 2009. Vocational expense is the predominant expense line item of the Career Center, totaling \$5,232,858 or 27.27% of total expenses. During fiscal year 2010, the Career Center issued \$1,800,000 in energy conservation notes for the purpose of building maintenance and repairs, which have not been capitalized. As a result, there was a 35.85% increase in operations and maintenance expenses from fiscal year 2009. Total governmental expenses of \$19,186,478 were offset by program revenues of \$6,576,525 and general revenues of \$12,102,062. Program revenues supported 34.28% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from taxes, and unrestricted grants and entitlements. These two revenue sources represent 63.70% of total governmental revenue.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The graph below presents the Career Center's governmental activities revenue and expenses for fiscal years 2010 and 2009.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by general revenues.

Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program expenses				
Instruction:				
Regular	\$ 884,416	\$ 877,693	\$ 860,653	\$ 860,653
Special	431,592	431,592	512,040	224,876
Vocational	5,232,858	5,207,282	5,846,455	5,464,230
Adult continuing education	4,834,492	(581,756)	3,300,205	(708,568)
Support services:				
Pupil	997,271	654,287	1,112,927	741,801
Instructional staff	282,855	282,855	229,881	229,881
Board of education	63,513	63,413	65,308	64,633
Administration	2,159,814	1,975,525	2,002,369	1,842,136
Fiscal	488,540	483,540	348,777	343,777
Business	237,391	237,391	233,000	233,000
Operations and maintenance	2,435,054	2,428,403	1,792,439	1,783,983
Pupil transportation	15,895	15,895	19,820	19,820
Central	457,152	457,152	471,570	464,656
Operation of non-instructional services				
Food service operations	356,170	13,144	303,516	(6,306)
Other non-instructional services	239,824	(6,104)	2,231	(3,615)
Interest and fiscal charges	69,641	69,641	78,676	78,676
Total expenses	\$ 19,186,478	\$ 12,609,953	\$ 17,179,867	\$ 11,633,633

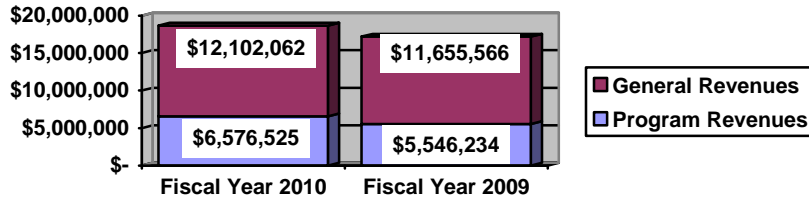
The dependence upon tax and other general revenues for governmental activities is apparent, 51.14% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 65.72%. The Career Center's taxpayers and unrestricted grants and entitlements, as a whole, are the primary support for the Career Center's students.

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The graph below presents the Career Center's governmental activities revenue for fiscal years 2010 and 2009.

Governmental Activities - General and Program Revenues



The Career Center's Funds

The Career Center's governmental funds reported a combined fund balance of \$6,939,595, which is more than last year's total of \$5,628,478. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance (Deficit) <u>June 30, 2010</u>	Fund Balance (Deficit) <u>June 30, 2009</u>	Increase (Decrease)
General	\$ 5,172,919	\$ 5,272,935	\$ (100,016)
Adult education	550,652	376,636	174,016
Other grants	(17,344)	(85,844)	68,500
Other governmental	<u>1,233,368</u>	<u>64,751</u>	<u>1,168,617</u>
Total	<u>\$ 6,939,595</u>	<u>\$ 5,628,478</u>	<u>\$ 1,311,117</u>

An analysis of the general fund revenues and expenditures is provided in the section below.

General Fund

The Career Center's general fund balance decreased \$100,016 from \$5,272,935 to \$5,172,919. The table that follows assists in illustrating the fiscal year revenues and expenses of the general fund.

	2010 <u>Amount</u>	2009 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,681,530	\$ 5,729,863	(0.84)%
Tuition	12,375	10,600	16.75%
Earnings on investments	35,823	150,433	(76.19)%
Intergovernmental	6,130,975	5,809,873	5.53%
Other	<u>142,385</u>	<u>141,425</u>	0.68%
Total	<u>\$ 12,003,088</u>	<u>\$ 11,842,194</u>	1.36%

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	2010 <u>Amount</u>	2009 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
Instruction	\$ 6,457,735	\$ 6,145,570	5.08%
Support services	5,105,026	5,142,823	(0.73)%
Facilities acquisition and construction	200,696	210,523	(4.67)%
Debt service	<u>178,626</u>	<u>176,957</u>	0.94%
Total	<u>\$11,942,083</u>	<u>\$ 11,675,873</u>	2.28%

The Career Center's earnings on investments decreased in 2010 due to a reduction of interest earning accounts held by the Career Center. Tax revenue decreased 0.84% as a result of a decrease in tangible personal property tax revenue. All other revenues and expenditures remained comparable to 2009.

Adult Education Fund

The Career Center's adult education fund's fund balance increased by \$174,016, from \$376,636 to \$550,652. The table that follows assists in illustrating the fiscal year revenues and expenses of the adult education fund.

	2010 <u>Amount</u>	2009 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Tuition	\$ 2,510,241	\$ 2,229,714	12.58%
Intergovernmental	448,973	468,598	(4.19)%
Other	<u>89,919</u>	<u>97,701</u>	(7.97)%
Total	<u>\$ 3,049,133</u>	<u>\$ 2,796,013</u>	9.05%
<u>Expenditures</u>			
Instruction	\$ 2,307,206	\$ 1,998,893	15.42%
Support services	<u>603,857</u>	<u>565,605</u>	6.76%
Total	<u>\$ 2,911,063</u>	<u>\$ 2,564,498</u>	13.51%

Tuition revenues and instruction expenditures increased by 12.58% and 15.42%, respectively, as a result of increased student enrollment. All other revenues and expenditures remained comparable to 2009.

Other Grants Fund

The other grants fund had \$1,871,631 in revenues which increased \$1,045,574 or 126.57% from 2009. The other grants fund had \$1,803,131 in expenditures which increased \$912,695 or 102.50% from 2009. During fiscal 2010, the other grants fund's fund balance increased \$68,500 from a deficit of \$85,844 to a deficit of \$17,344. The significant changes in revenues and expenditures were a result of an increase in WIA youth contracts with various counties in the Career Center's area.

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General Fund Budgeting Highlights

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

For the general fund, final budgeted revenues and other financing sources of \$11,900,100 equal to the original budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal year 2010 was \$12,156,733. This represents a \$256,633 increase over the final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$12,105,390 were increased \$246,501 to \$12,351,891 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$12,319,511, which was \$32,380 lower than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the Career Center had \$1,603,573 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2010 balances compared to 2009:

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

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 396,420	\$ 396,420
Buildings and improvements	909,866	1,050,018
Furniture and equipment	239,525	271,741
Vehicles	<u>57,762</u>	<u>89,951</u>
Total	<u>\$ 1,603,573</u>	<u>\$ 1,808,130</u>

Total additions to capital assets for 2010 were \$144,268. The overall decrease in capital assets of \$204,557 is primarily due to current year depreciation expense of \$348,825 exceeding additions.

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

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ERIE COUNTY, OHIO**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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Debt Administration

At June 30, 2010, the Career Center had \$1,478,000 in school improvement notes outstanding and \$1,800,000 in energy conservation notes outstanding. Of this total, \$234,000 is due within one year and \$3,044,000 is due within greater than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
School improvement notes	\$ 1,478,000	\$ 1,588,000
Energy conservation notes	<u>1,800,000</u>	<u>-</u>
	<u>\$ 3,278,000</u>	<u>\$ 1,588,000</u>

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

Current Financial Related Activities

The Career Center is reporting an overall decrease in net assets of \$502,817 using the accrual accounting GASB 34 Model. As the financial statements report, the Career Center relies heavily upon grants, entitlements, and local property taxes (over 98.31% of general revenues). The reduction in tangible personal property tax revenues of approximately \$250,000 each year ending in 2011 will have a dramatic effect on the revenues collected locally. While revenues from the State of Ohio will replace those lost, our projected new tax revenues for financial statement purposes are being reduced by a significant amount. The Career Center experienced increases in real property tax in fiscal years 2007 and 2008 which is a result of the six year property tax re-valuation update, and in fiscal year 2010 due to new construction. The Career Center believes the increased tax revenue from 2007 and 2008, along with the Career Center's cash balance, will provide the necessary funds to meet its operating expenses in future years. EHOVE Career Center continues to project a positive cash balance through the third year of the current Five-Year Forecast.

In November 2010, the Board "Replaced" a 1 ½ mill levy, and made it "continuing", which will provide \$4.3 million in taxable dollars beginning January 2012. The Career Center renewed a ½ mill levy in 2008 which has been renewed for five year periods of time and remains crucial to the stability of the Career Center.

The Career Center committed \$1.5 million for the replacement of 40 year old equipment and for portable classrooms much needed due to a lack space at the Career Center by entering into a note agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program). The proceeds of the note were received in fiscal year 2006 on July 7, 2005. The principal amount of the notes is \$1,527,000, with an interest rate of 4.225%. The Career Center began making payments in January 2006. This repayment will reduce future revenues available for the operation of the Career Center.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The Career Center committed \$400,000 for a new modular classroom and infrastructure improvements to move the Adult Education Programs onto EHOVE's campus in fiscal year 2008. EHOVE Career Center borrowed these monies by entering into a note agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program). The principal amount of the notes is \$400,000, interest rate of 4.11%, with payments starting in November 2008. While this repayment will reduce future revenues available for the operation of the Career Center, the savings to the Career Center in rental expenses will pay for these notes in less than 5 years.

The Career Center committed \$1,800,000 in Project Qualified School Construction Bonds (QSCB) for House Bill 264 Energy Conservation upgrades. EHOVE Career Center sold these Energy Conservation Notes June 24, 2010. They carry a 5.375% interest rate which will be refunded annually by the Federal Government reducing the interest costs to 0% for the life of the notes of 15 years. The energy savings from the retrofit project will save the Career Center \$125,000 per year, in excess of the annual payment of \$120,000.

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

Contacting the Career Center's Financial Management

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 7,079,386
Receivables:	
Taxes	6,370,815
Accounts.	48,620
Accrued interest	6,431
Intergovernmental	162,696
Prepayments	23,675
Materials and supplies inventory.	59,726
Capital assets:	
Land.	396,420
Depreciable capital assets, net.	1,207,153
Capital assets, net	1,603,573
 Total assets.	 15,354,922
 Liabilities:	
Accounts payable.	68,418
Accrued wages and benefits	813,846
Pension obligation payable.	219,784
Intergovernmental payable	33,258
Accrued interest payable	6,734
Unearned revenue	4,991,717
Long-term liabilities:	
Due within one year.	264,938
Due within more than one year	3,790,156
 Total liabilities	 10,188,851
 Net Assets:	
Invested in capital assets, net of related debt.	125,573
Restricted for:	
Adult education	510,136
Other purposes	97,665
Unrestricted	4,432,697
 Total net assets	 \$ 5,166,071

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 884,416	\$ 6,723		\$ (877,693)
Special	431,592			(431,592)
Vocational	5,232,858		\$ 25,576	(5,207,282)
Adult continuing education	4,834,492	2,530,630	2,885,618	581,756
Support services:				
Pupil	997,271		342,984	(654,287)
Instructional staff	282,855			(282,855)
Board of education	63,513		100	(63,413)
Administration	2,159,814		184,289	(1,975,525)
Fiscal	488,540		5,000	(483,540)
Business	237,391			(237,391)
Operations and maintenance	2,435,054	2,255	4,396	(2,428,403)
Pupil transportation	15,895			(15,895)
Central	457,152			(457,152)
Operation of non-instructional services:				
Food service operations	356,170	198,716	144,310	(13,144)
Other non-instructional services	239,824	240,941	4,987	6,104
Interest and fiscal charges	69,641			(69,641)
Total governmental activities	\$ 19,186,478	\$ 2,979,265	\$ 3,597,260	(12,609,953)
General Revenues:				
Property taxes levied for:				
				5,766,964
				6,130,975
				30,145
				173,978
Total general revenues				12,102,062
Change in net assets				(507,891)
Net assets at beginning of year				5,673,962
Net assets at end of year				\$ 5,166,071

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Adult Education	Other Grants	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 5,239,037	\$ 539,264	\$ 10,402	\$ 1,290,683	\$ 7,079,386
Receivables:					
Taxes	6,370,815				6,370,815
Accounts	2,735	43,920		1,965	48,620
Intergovernmental	150	43,398	89,584	29,564	162,696
Accrued interest	6,431				6,431
Interfund loans	132,064				132,064
Prepayments	15,697	7,978			23,675
Materials and supplies inventory	9,287	45,223		5,216	59,726
Total assets	<u>\$ 11,776,216</u>	<u>\$ 679,783</u>	<u>\$ 99,986</u>	<u>\$ 1,327,428</u>	<u>\$ 13,883,413</u>
Liabilities:					
Accounts payable	\$ 50,268	\$ 12,386	\$ 547	\$ 5,217	\$ 68,418
Contracts payable					
Accrued wages and benefits	715,383	49,137	10,800	38,526	813,846
Compensated absences payable	30,938				30,938
Pension obligation payable	188,033	10,031	2,225	19,495	219,784
Intergovernmental payable	26,052	4,690	1,258	1,258	33,258
Interfund loans payable			102,500	29,564	132,064
Deferred revenue	612,892	40,901			653,793
Unearned revenue	4,979,731	11,986			4,991,717
Total liabilities	<u>6,603,297</u>	<u>129,131</u>	<u>117,330</u>	<u>94,060</u>	<u>6,943,818</u>
Fund Balances:					
Reserved for encumbrances	52,042	79,516	9,010	864,239	1,004,807
Reserved for supplies inventory	9,287	45,223		5,216	59,726
Reserved for prepayments	15,697	7,978			23,675
Reserved for tax revenue unavailable for appropriation	781,290				781,290
Reserved for unclaimed monies	3,268				3,268
Unreserved, undesignated (deficit), reported in:					
General fund	4,311,335				4,311,335
Special revenue funds		417,935	(26,354)	38,415	429,996
Capital projects funds				325,498	325,498
Total fund balances (deficit)	<u>5,172,919</u>	<u>550,652</u>	<u>(17,344)</u>	<u>1,233,368</u>	<u>6,939,595</u>
Total liabilities and fund balances	<u>\$ 11,776,216</u>	<u>\$ 679,783</u>	<u>\$ 99,986</u>	<u>\$ 1,327,428</u>	<u>\$ 13,883,413</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total governmental fund balances		\$ 6,939,595
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,603,573
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 609,794	
Accounts receivable	40,976	
Accrued interest receivable	<u>3,023</u>	
Total		653,793
In the statement of net assets, interest is accrued on outstanding notes, whereas in governmental funds, interest is accrued when due.		(6,734)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(746,156)	
Notes payable	<u>(3,278,000)</u>	
Total		<u>(4,024,156)</u>
Net assets of governmental activities		<u>\$ 5,166,071</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Adult Education	Other Grants	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Property taxes	\$ 5,681,530				\$ 5,681,530
Tuition	12,375	\$ 2,510,241			2,522,616
Earnings on investments	35,823			\$ 39	35,862
Extracurricular				8,303	8,303
Classroom materials and fees				105,521	105,521
Charges for services				198,716	198,716
Other local revenues	142,385	89,919		129,818	362,122
Intergovernmental	6,130,975	448,973	\$ 1,871,631	1,286,348	9,737,927
Total revenue	<u>12,003,088</u>	<u>3,049,133</u>	<u>1,871,631</u>	<u>1,728,745</u>	<u>18,652,597</u>
Expenditures:					
Current:					
Instruction:					
Regular	866,396			1,522	867,918
Special	448,710				448,710
Vocational	5,142,629			25,599	5,168,228
Adult continuing education		2,307,206	1,716,043	760,470	4,783,719
Support services:					
Pupil	603,073	34,429		350,251	987,753
Instructional staff	281,783				281,783
Board of education	59,955				59,955
Administration	1,458,554	540,927	87,088	46,129	2,132,698
Fiscal	486,251			5,000	491,251
Business	236,830				236,830
Operations and maintenance	1,532,483	28,501			1,560,984
Pupil transportation	15,895				15,895
Central	430,202			2,286	432,488
Operation of non-instructional service:					
Food service operations				350,741	350,741
Other non-instructional services				239,824	239,824
Facilities acquisition and construction	200,696			687,992	888,688
Debt service:					
Principal retirement	110,000				110,000
Interest and fiscal charges	68,626				68,626
Total expenditures	<u>11,942,083</u>	<u>2,911,063</u>	<u>1,803,131</u>	<u>2,469,814</u>	<u>19,126,091</u>
Excess(deficiency) of revenues over(under) expenditures	61,005	138,070	68,500	(741,069)	(473,494)
Other financing sources (uses):					
Sale of notes				1,800,000	1,800,000
Transfers in		50,000		111,000	161,000
Transfers (out)	(161,000)				(161,000)
Total other financing sources (uses)	<u>(161,000)</u>	<u>50,000</u>		<u>1,911,000</u>	<u>1,800,000</u>
Net change in fund balances	(99,995)	188,070	68,500	1,169,931	1,326,506
Fund balances (deficit) at beginning of year	5,272,935	376,636	(85,844)	64,751	5,628,478
Decrease in reserve for inventory	(21)	(14,054)		(1,314)	(15,389)
Fund balances (deficit) at end of year	<u>\$ 5,172,919</u>	<u>\$ 550,652</u>	<u>\$ (17,344)</u>	<u>\$ 1,233,368</u>	<u>\$ 6,939,595</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds \$ 1,326,506

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

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

Capital asset additions	\$ 144,268	
Current year depreciation	(348,825)	
Total		(204,557)

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

(15,389)

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

Taxes	85,434	
Accounts	(41,234)	
Accrued interest	(5,678)	
Intergovernmental	(12,532)	
Total		25,990

Issuances of notes are an other financing source in the governmental funds. However, on the statement of net assets, the issuance increases long-term liabilities.

(1,800,000)

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

110,000

In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.

(1,015)

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

50,574

Change in net assets of governmental activities \$ (507,891)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 5,515,000	\$ 5,515,000	\$ 5,541,940	\$ 26,940
Tuition			12,225	12,225
Earnings on investments	77,500	77,500	71,671	(5,829)
Other local revenues	89,290	89,290	134,972	45,682
Intergovernmental	<u>5,965,000</u>	<u>5,965,000</u>	<u>6,130,975</u>	<u>165,975</u>
Total revenue	<u>11,646,790</u>	<u>11,646,790</u>	<u>11,891,783</u>	<u>244,993</u>
Expenditures:				
Current:				
Instruction:				
Regular	862,350	862,550	862,302	248
Special	443,648	475,198	474,816	382
Vocational	5,015,810	5,173,660	5,171,176	2,484
Support Services:				
Pupil	589,749	620,149	619,751	398
Instructional staff	245,731	293,631	292,761	870
Board of education	52,325	57,925	57,847	78
Administration	1,424,700	1,481,700	1,479,908	1,792
Fiscal	359,684	371,235	371,049	186
Business	237,825	237,325	237,300	25
Operations and maintenance	1,756,824	1,600,474	1,599,536	938
Pupil transportation	20,875	17,125	17,037	88
Central	456,289	450,289	449,955	334
Facilities acquisition and construction	210,954	214,404	214,383	21
Debt service:				
Principal retirement	110,000	110,000	110,000	
Interest and fiscal charges	68,626	68,626	68,626	
Total expenditures	<u>11,855,390</u>	<u>12,034,291</u>	<u>12,026,447</u>	<u>7,844</u>
Excess of expenditures over revenues	<u>(208,600)</u>	<u>(387,501)</u>	<u>(134,664)</u>	<u>252,837</u>
Other financing sources (uses):				
Refund of prior year expenditures	20,000	20,000	26,386	6,386
Transfers (out)	(100,000)	(161,000)	(161,000)	
Advances in	231,310	231,310	231,311	1
Advances (out)	(150,000)	(156,600)	(132,064)	24,536
Sale of capital assets	2,000	2,000	7,253	5,253
Total other financing sources (uses)	<u>3,310</u>	<u>(64,290)</u>	<u>(28,114)</u>	<u>36,176</u>
Net change in fund balance	(205,290)	(451,791)	(162,778)	289,013
Fund balance at beginning of year	5,213,135	5,213,135	5,213,135	
Prior year encumbrances appropriated	84,602	84,602	84,602	
Fund balance at end of year	<u>\$ 5,092,447</u>	<u>\$ 4,845,946</u>	<u>\$ 5,134,959</u>	<u>\$ 289,013</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ADULT EDUCATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Tuition	\$ 2,431,137	\$ 2,404,380	\$ 2,510,344	\$ 105,964
Other local revenues	70,258	70,258	89,919	19,661
Intergovernmental	448,642	448,642	448,973	331
Total revenue	<u>2,950,037</u>	<u>2,923,280</u>	<u>3,049,236</u>	<u>125,956</u>
Expenditures:				
Current:				
Instruction:				
Adult continuing education	2,238,041	2,463,081	2,404,598	58,483
Support services:				
Pupil	46,720	42,200	34,823	7,377
Administration	476,905	550,905	547,496	3,409
Operations and maintenance	28,420	28,420	29,455	(1,035)
Total expenditures	<u>2,790,086</u>	<u>3,084,606</u>	<u>3,016,372</u>	<u>68,234</u>
Excess of revenues over (under) expenditures	<u>159,951</u>	<u>(161,326)</u>	<u>32,864</u>	<u>194,190</u>
Other financing sources:				
Refund of prior year expenditures			500	500
Transfers in	50,000	50,000	50,000	
Total other financing sources	<u>50,000</u>	<u>50,000</u>	<u>50,500</u>	<u>500</u>
Net change in fund balance	209,951	(111,326)	83,364	194,690
Fund balance at beginning of year	331,096	331,096	331,096	
Prior year encumbrances appropriated	32,420	32,420	32,420	
Fund balance at end of year	<u>\$ 573,467</u>	<u>\$ 252,190</u>	<u>\$ 446,880</u>	<u>\$ 194,690</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
OTHER GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 2,096,064	\$ 2,009,128	\$ 1,906,720	\$ (102,408)
Total revenue	<u>2,096,064</u>	<u>2,009,128</u>	<u>1,906,720</u>	<u>(102,408)</u>
Expenditures:				
Current:				
Instruction:				
Adult continuing education	1,863,962	1,777,767	1,776,265	1,502
Support services:				
Administration	87,064	87,064	87,102	(38)
Total expenditures	<u>1,951,026</u>	<u>1,864,831</u>	<u>1,863,367</u>	<u>1,464</u>
Excess of revenues over expenditures	<u>145,038</u>	<u>144,297</u>	<u>43,353</u>	<u>(100,944)</u>
Other financing sources (uses):				
Advances in			102,500	102,500
Advances (out)			(221,900)	(221,900)
Total other financing sources (uses)			<u>(119,400)</u>	<u>(119,400)</u>
Net change in fund balance	145,038	144,297	(76,047)	(220,344)
Fund balance at beginning of year	13,898	13,898	13,898	
Prior year encumbrances appropriated	62,964	62,964	62,964	
Fund balance at end of year	<u>\$ 221,900</u>	<u>\$ 221,159</u>	<u>\$ 815</u>	<u>\$ (220,344)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EHOVE CAREER CENTER
ERIE COUNTY, OHIO
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2010

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>27,599</u>
Liabilities:	
Due to students.	\$ <u>27,599</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - DESCRIPTION OF THE CAREER CENTER

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

Average daily membership (ADM) as of October 1, 2009, was 863. The Career Center employed 11 administrative and supervisory personnel, 67 certified employees and 45 non-certified employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Career Center. For the Career Center, this includes 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; or (3) the Career Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Career Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Career Center in that the Career Center approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the Career Center has no component units. The basic financial statements of the reporting entity include only those of the Career Center (the primary government).

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

JOINTLY GOVERNED ORGANIZATIONS

The Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among area schools. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among members. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. The NOECA assembly consists of a superintendent from each participating school and representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating schools are located. The degree of control exercised by any participating school is limited to its representation on the Board. The Career Center paid \$54,256 to NOECA for services during 2010. Financial information can be obtained by contacting Betty Schwiefert, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Bay Area Council of Governments

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

Members of the Board serve two-year terms which are staggered. The Career Center paid \$98,039 to the Bay Area Council of Governments for services during 2010. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal officer, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Cisco Academy of Northwest Ohio

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Academy. The Career Center paid \$1,000 to the Academy for services during 2010. Financial information can be obtained by contacting the Four County Career Center, 22900 State Route 34, Archbold, Ohio 43502-9586.

PUBLIC ENTITY RISK POOLS

Health Benefits

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

Workers' Compensation

The Career Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code.

Each year, the participating school district pays an enrollment fee to the Plan to cover the costs of administering the program.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Other grants fund - The other grants fund is used to account for the proceeds of specific revenue sources, except for State and Federal grants that are legally restricted to expenditures for specified purposes.

The other governmental funds of the Career Center account for food service operations, the sale of uniform school supplies, rotary funds for vocation education, for financial resources to be used for the acquisition, construction, or improvement of capital facilities and for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The Career Center has no proprietary funds.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and 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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Career Center, available means expected to be received within sixty days of fiscal year end.

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and tuition and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue in the governmental funds.

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

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

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. Budgets

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

Tax Budget:

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Estimated Resources:

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

F. Cash and Investments

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

During fiscal year 2010, investments were limited to non-negotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The Career Center has invested funds in STAR Ohio during fiscal year 2010. 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 shares price which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$35,823, which includes \$6,576 assigned from other Career Center funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Career Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

H. Capital Assets

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

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

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

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

I. Interfund Balances

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

J. Compensated Absences

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

L. Fund Balance Reserves

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed through enabling legislation as through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes consist of unclaimed monies held by the Career Center. The Career Center had no net assets restricted for enabling legislation.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

N. Prepayments

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

O. Estimates

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

P. Interfund Activity

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
Other grants	\$ 17,344
<u>Nonmajor funds</u>	
Food service	26,544
Public school preschool	145
Vocational education	19,826
Miscellaneous federal grants	1,522

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Career Center into three categories.

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

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

Interim deposits are deposits of interim monies. Interim 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At fiscal year end, the Career Center had \$270 in undeposited cash on hand which is included on the financial statements of the Career Center as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all Career Center deposits was \$5,685,551. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$535,074 of the Career Center's bank balance of \$5,926,079 was exposed to custodial risk as discussed below, while \$5,391,005 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Career Center's deposits may not be returned. Deposits were collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Career Center. The Career Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Career Center to a successful claim by the FDIC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2010, the Career Center had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment</u> <u>Maturities</u>
		<u>6 months or</u> <u>less</u>
STAR Ohio	<u>\$ 1,421,164</u>	<u>\$ 1,421,164</u>

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

The Career Center's investment policy permits investments in any security specifically authorized by Ohio Revised Code Sections 135.14, 135.142 and 135.45 as amended. No security will be purchased that has a final maturity of greater than two years.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Career Center's investment policy does not address investment credit risk beyond the requirements of State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Career Center will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Career Center's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the Treasurer, Governing Board or qualified trustee.

Concentration of Credit Risk: The Career Center places no dollar limit on the amount that may be invested in any one issuer however, the Career Center's investment policy requires an effort to diversify its holdings of investments by avoiding concentrations of specific issuers. State statute limits investments in commercial paper to 25% of the interim monies available for investment at any one time. The following table includes the percentage of each investment type held by the Career Center at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 1,421,164</u>	<u>100.00</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,685,551
Investments	1,421,164
Cash on hand	<u>270</u>
Total	<u>\$ 7,106,985</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 7,079,386
Agency funds	<u>27,599</u>
Total	<u>\$ 7,106,985</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2010 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Other grants	\$ 102,500
General	Nonmajor governmental fund	<u>29,564</u>
Total		<u>\$ 132,064</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2010 are reported on the statement of net assets.

B. Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	
Adult education	\$ 50,000
Nonmajor governmental fund	<u>111,000</u>
Total	<u>\$ 161,000</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the jurisdiction of the Career Center. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. 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 District prior to June 30.

The Career Center receives property taxes from various 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 County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$781,290 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$757,192 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 2,911,945,900	95.35	\$ 2,984,974,910	96.18
Public utility personal	113,384,800	3.71	110,332,520	3.55
Tangible personal property	<u>28,729,777</u>	<u>0.94</u>	<u>8,372,296</u>	<u>0.27</u>
Total	<u>\$ 3,054,060,477</u>	<u>100.00</u>	<u>\$ 3,103,679,726</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$3.95		\$3.95

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:	
Taxes	\$ 6,370,815
Gross accounts receivables	61,634
Less: allowance for doubtful accounts	<u>(13,014)</u>
Net accounts receivable	<u>48,620</u>
Intergovernmental	162,696
Accrued interest	<u>6,431</u>
Total	<u>\$ 6,588,562</u>

**EHOVE CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 – RECEIVABLES - (Continued)

Receivables have been disaggregated on the face of the basic financial statements. All receivables (net of allowance for doubtful accounts) are expected to be collected within the subsequent year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 396,420			\$ 396,420
Total capital assets, not being depreciate	<u>396,420</u>			<u>396,420</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	4,635,015			4,635,015
Furniture and equipment	1,276,628	\$ 131,642	\$ (91,983)	1,316,287
Vehicles	<u>334,478</u>	<u>12,626</u>		<u>347,104</u>
Total capital assets, being depreciated	<u>6,246,121</u>	<u>144,268</u>	<u>(91,983)</u>	<u>6,298,406</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(3,584,997)	(140,152)		(3,725,149)
Furniture and equipment	(1,004,887)	(163,858)	91,983	(1,076,762)
Vehicles	<u>(244,527)</u>	<u>(44,815)</u>		<u>(289,342)</u>
Total accumulated depreciation	<u>(4,834,411)</u>	<u>(348,825)</u>	<u>91,983</u>	<u>(5,091,253)</u>
Governmental activities capital assets, net	<u>\$ 1,808,130</u>	<u>\$ (204,557)</u>		<u>\$ 1,603,573</u>

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 4,572
Special	3,024
Vocational	233,722
Adult education	39,703
 <u>Support Services:</u>	
Pupil	1,042
Instructional staff	2,970
Board of education	3,558
Administration	5,684
Fiscal	789
Operations and maintenance	27,275
Central	24,664
Food service operations	<u>1,822</u>
 Total depreciation expense	 <u>\$348,825</u>

NOTE 9 - LONG-TERM OBLIGATIONS

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

	Balance Outstanding <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/10</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
School improvement notes	\$ 1,588,000		\$ (110,000)	\$ 1,478,000	\$ 114,000
Energy conservation notes		\$ 1,800,000		1,800,000	120,000
Compensated absences	<u>833,927</u>	<u>63,151</u>	<u>(119,984)</u>	<u>777,094</u>	<u>30,938</u>
Total governmental activities	<u>\$ 2,421,927</u>	<u>\$ 1,863,151</u>	<u>\$ (229,984)</u>	<u>\$ 4,055,094</u>	<u>\$ 264,938</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employees' salaries are paid, which consist of the general fund and adult education fund.

School Improvement Notes: On June 30, 2005, the Career Center entered into a note agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program) for the purpose of improving, renovating, furnishing and equipping school buildings. The proceeds of the note were received on July 7, 2005. The initial principal amount of the notes was \$1,527,000, with an interest rate of 4.225% and a maturity date of July 1, 2020.

On June 12, 2008, the Career Center entered into a note agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program) for the purpose of improving, renovating, furnishing and equipping school buildings. The proceeds of the note were received on June 12, 2008. The initial principal amount of the notes was \$400,000, with an interest rate of 4.11% and a maturity date of December 1, 2022.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest payments in fiscal year 2010 totaled \$110,000 and \$68,626, respectively. These amounts are reported as debt service expenditures in the general fund.

The following is a summary of the future debt service requirements to maturity for the notes:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 114,000	\$ 63,813	\$ 177,813
2012	118,000	58,848	176,848
2013	123,000	53,687	176,687
2014	128,000	48,308	176,308
2015	134,000	42,711	176,711
2016 - 2020	760,000	120,521	880,521
2021 - 2023	<u>101,000</u>	<u>6,583</u>	<u>107,583</u>
Total	<u>\$ 1,478,000</u>	<u>\$ 394,471</u>	<u>\$ 1,872,471</u>

Energy Conservation Notes: On June 16, 2010, the Career Center entered into a note agreement with the Ohio School Facilities Commission (through the Qualified School Construction Bonds Program) for the purpose of purchasing and installing energy conservation measures. The proceeds of the note were received on June 24, 2010. The initial principal amount of the notes was \$1,800,000, with an interest rate of 5.375% and a maturity date of July 1, 2025.

Principal and interest payments will begin in fiscal year 2011. These amounts will be reported as debt service expenditures in the permanent improvement fund.

The following is a summary of the future debt service requirements to maturity for the notes:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 120,000	\$ 90,569	\$ 210,569
2012	120,000	90,300	210,300
2013	120,000	83,850	203,850
2014	120,000	77,400	197,400
2015	120,000	70,950	190,950
2016 - 2020	600,000	258,000	858,000
2021 - 2025	<u>600,000</u>	<u>96,750</u>	<u>696,750</u>
Total	<u>\$ 1,800,000</u>	<u>\$ 767,819</u>	<u>\$ 2,567,819</u>

The energy conservation project was for building maintenance and repairs, which have not been capitalized by the Career Center.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin: The Ohio Revised Code provides that voted net general obligation debt of the Career Center shall never exceed 9% of the total assessed valuation of the Career Center. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the Career Center. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the Career Center. The assessed valuation used in determining the Career Center's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the Career Center's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$278,562,497 and an unvoted debt margin of \$3,095,139.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Sick Leave

Each full time professional staff member is entitled to 15 days sick leave with pay for each year under contract and accrues sick leave at the rate of 1¼ days for each calendar month under contract. Sick leave is cumulative to 325 days for certified employees and 272 days for non-certified employees.

B. Service Retirement Benefits

1. Certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is 25% of the certified employee's accrued, but unused sick leave days at the time of retirement based on their daily rate times the value of the employee's eligible (81.25 days maximum) accrued, but unused sick leave days. Employees must have at least ten years of total retirement service and at least five years of service with the Career Center to become eligible to be entitled to the maximum of 81.25 days.
2. Certified employees who retire during the current contract will be paid \$225 for every year of service with the EHOVE Board of Education.
3. Non-certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is one-fourth of sick leave days accumulated, but not to exceed 68 days. Non-certified employees must have ten or more years of public service at the time of retirement.
4. Non-certified employees shall receive a lump sum payment of \$125 per year of service with the Career Center upon retiring (as defined by the School Employees Retirement System).
5. Administration employees, certified, and non-certified non-union staff are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is that as set forth in the EHOVE Education Association contract for administrators and as set forth in the Ohio Association of Public School Employees (OAPSE) contract for non-certified employees.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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

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

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

B. Workers' Compensation Rating Plan

The Career Center participates in a workers' compensation group rating plan (the plan), an insurance purchasing pool (Note 2.A.). 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. Participants in the plan are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its plan tier rather than its individual rate. Participation in the plan is limited to school Career Centers than can meet the plan's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the Plan.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current Career Center rate is 14 percent of annual covered payroll. A portion of the Career Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Career Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$365,344, \$184,820 and \$185,592, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The Career Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - PENSION PLANS - (Continued)

lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Career Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Career Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$901,437, \$858,650 and \$875,412, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The Career Center's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Career Center participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Career Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$48,950, \$120,382 and \$120,492, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Career Center's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$21,726, \$15,249 and \$13,372, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The Career Center contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Career Center's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$69,341, \$66,050 and \$67,339, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund, the adult education fund and the other grants fund are as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

Net Change in Fund Balance

	<u>General</u>	<u>Adult Education</u>	<u>Other Grants</u>
Budget basis	\$ (162,778)	\$ 83,364	\$ (76,047)
Net adjustment for revenue accruals	111,305	(103)	(35,089)
Net adjustment for expenditure accruals	(19,714)	12,925	50,649
Net adjustment for other sources/(uses)	(132,886)	(500)	119,400
Adjustment for encumbrances	<u>104,078</u>	<u>92,384</u>	<u>9,587</u>
GAAP basis	<u>\$ (99,995)</u>	<u>\$ 188,070</u>	<u>\$ 68,500</u>

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 16 - STATUTORY RESERVES

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

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 16 - STATUTORY RESERVES – (Continued)

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Maintenance</u>
Set-aside balance as of June 30, 2009	\$ (2,641,956)	
Current year set-aside requirement	111,158	\$ 111,158
Current year off-sets		401,494
Qualifying expenditures	<u>(449,170)</u>	<u>\$ (512,652)</u>
Total	<u>\$ (2,979,968)</u>	
Balance carried forward to fiscal year 2011	<u>\$ (2,979,968)</u>	

The amount presented for current year off-sets represents proceeds from a note issue for the purchase and installation of energy conservation measures in various buildings. Of the original \$1,800,000 in note proceeds only the amount needed to reduce the reserve for capital improvements to zero is included in current year off-sets. The Career Center is responsible for tracking the amount of note proceeds that may be used as an offset in future periods.

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

**EHOVE CAREER CENTER
ERIE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
National School Lunch Program			
Non-Cash Assistance (Food Distribution)	10.555	\$ 14,523	\$ 14,523
Cash Assistance	10.555	96,698	96,698
Total - National School Lunch Program		<u>111,221</u>	<u>111,221</u>
School Breakfast Program	10.553	30,475	30,475
Total U.S. Department of Agriculture		<u>141,696</u>	<u>141,696</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Payment - United States Department of Education</i>			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	84.063	760,470	760,470
<i>Passed Through Great Lakes Higher Education:</i>			
Federal Family Education Loans	84.032	<u>1,359,163</u>	<u>1,359,163</u>
Total Student Financial Aid Cluster		<u>2,119,633</u>	<u>2,119,633</u>
<i>Passed Through Ohio Department of Education:</i>			
Vocational Education - Basic Grants to States	84.048	<u>328,592</u>	<u>354,209</u>
IDEA Discretionary	84.173	<u>225</u>	<u>225</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	<u>1,193</u>	<u>1,193</u>
Improving Teacher Quality State Grants	84.367	<u>4,383</u>	<u>4,383</u>
Total U.S. Department of Education		<u>2,454,026</u>	<u>2,479,643</u>
Total Federal Financial Assistance		<u>\$ 2,595,722</u>	<u>\$ 2,621,339</u>

The accompanying notes are an integral part of this schedule.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the EHOVE Career Center's (the Career Center's) Federal award program's receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The Career Center commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Government assumes it expends Federal monies first.

NOTE C - FOOD DONATION PROGRAM

The Career Center reports commodities consumed on the Schedule at the entitlement value. The Career Center allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the Career Center to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Career Center has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the EHOVE Career Center, Erie County, (the Career Center) as of and for the year ended June 30, 2010, which collectively comprise the Career Center's basic financial statements and have issued our report thereon dated January 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Career Center's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Career Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Career Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Career Center's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Career Center's management in a separate letter dated January 25, 2011.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities, and others within the Career Center. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

January 25, 2011



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the EHOVE Career Center, Erie County, Ohio (the Career Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the Career Center's major federal programs. The Career Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Career Center's compliance based on our audit.

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

In our opinion, the EHOVE Career Center, Erie County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2010-001.

Internal Control over Compliance

The Career Center's management is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Career Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings and questioned costs as item 2010-001. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We also noted matters involving federal compliance not requiring inclusion in this report, that we reported to the Career Center's management in a separate letter dated January 25, 2011.

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



Dave Yost
Auditor of State

January 25, 2011

**EHOVE CAREER CENTER
ERIE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal Pell Grant Program – CFDA 84.063, Federal Family Education Loans – CFDA 84.032. Vocational Education - Basic Grants to States – CFDA 84.048.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2010-001
CFDA Title and Number	Vocational Education – Basic Grants to States – CFDA 84.048
Federal Award Number / Year	2010
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Period of Availability of Funds – Noncompliance/Questioned Cost/Significant Deficiency

34 CFR 74.28 provides that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Secretary. The Ohio Department of Education (ODE) 2010 Continuous Comprehensive Improvement Planning (CCIP) Career-Technical and Adult Education Application for the Career and Technical Education grant defined the available period as July 1, 2009 to June 30, 2010. **34 CFR 76.707** states that an obligation for personal services by an employee of the State or subgrantee occurs when the services are performed.

The Career Center charged \$11,209 in wages and fringe benefits (retirement and Medicare) for services performed prior to July 1, 2009 to their 2010 Career and Technical Education grant. These costs represent Education Aide payroll expenses for July and August, 2009 attributable to the 2009 contract year. The Educational Aides had satisfied all 2009 contractual obligations as of June 30, 2009. There were no pre-award costs authorized for the grant.

Total questioned costs for expenditures outside of the period of availability are eleven thousand two hundred and nine dollars (\$11,209) of the \$348,745 spent on the Career and Technical Education grant during 2010.

We recommend the Center use grant funds only for expenditures obligated during the period of availability.

Officials' Response:

We did not receive a response from Officials to this finding.

**EHOVE CAREER CENTER
ERIE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-001	The Career Center will conduct annual reviews in June to ensure grant funds are used only for expenditures obligated during the period of availability.	June 30, 2011	Larry Hanneman, Treasurer



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EHOVE CAREER CENTER

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 17, 2011**