

Portage Lakes Career Center

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Basic Financial Statements

June 30, 2006



Mary Taylor, CPA
Auditor of State

Board of Education
Portage Lakes Career Center
4401 Shriver Rd.
PO Box 248
Green, Ohio 44232-0248

We have reviewed the *Independent Auditor's Report* of the Portage Lakes Career Center, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2005 to June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 29, 2007

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For the year Ended June 30, 2006
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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 20, 2006

The Board of Education
Portage Lakes Career Center
4401 Shriver Road
Green, OH 44232

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Portage Lakes Career Center (the Career Center), as of and for the year ended June 30, 2006, which collectively comprise the Career Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Career Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Career Center, as of June 30, 2006, and the respective changes in financial position, and the respective budgetary comparison for the general and the adult education programs 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 November 20, 2006 on our consideration of the Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hea & Associates, Inc.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The discussion and analysis of the Portage Lakes Career Center's (the Career Center's) financial performance provides an overall review of the Career Center's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the Career Center's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Career Center's financial performance.

Financial Highlights

Key Financial Highlights for 2006 are as follows:

- General Revenues accounted for \$6.4 million in revenue or 77.2 percent of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for approximately \$1.9 million or 22.8 percent of total revenues of \$8.3 million.
- Total program expenses were \$7.1 million in Governmental Activities.
- In total, net assets of Governmental Activities increased approximately \$1.2 million, which represents a 11.7 percent increase from 2005.

Using this Annual Report

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole Career Center, presenting both an aggregate view of the Career Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. Also, the fund financial statements highlight the Career Center's most significant funds with all other nonmajor funds presented in total in one column. The Career Center has three major funds. They are the general fund, the replacement fund, and the adult education programs funds.

Reporting the Career Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Career Center to provide programs and activities, the view of the Career Center as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2006?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities, excluding fiduciary funds using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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

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

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

Reporting the Career Center's Most Significant Funds

Fund Financial Statements

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

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

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The Career Center as a Whole

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

Table 1 provides a summary of the Career Center's net assets for 2006 compared to 2005:

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Current and Other Assets	\$13,591,368	\$12,313,003
Capital Assets, Net	2,571,028	2,598,567
<i>Total Assets</i>	<u>16,162,396</u>	<u>14,911,570</u>
Liabilities		
Long-Term Liabilities	962,802	945,035
Other Liabilities	3,822,999	3,783,445
<i>Total Liabilities</i>	<u>4,785,801</u>	<u>4,728,480</u>
Net Assets		
Invested in Capital Assets, Net of Debt	2,137,694	2,131,900
Restricted	3,084,206	2,791,179
Unrestricted	6,154,695	5,260,011
Total Net Assets	<u>\$11,376,595</u>	<u>\$10,183,090</u>

Total net assets increased by approximately \$1.2 million. Total assets increased nearly \$1.3 million and liabilities increased \$58,321. The primary factor which caused the increase in the current and other assets was due to the increase in cash of approximately \$1,142,500 versus prior year.

Table 2 shows the changes in net assets for fiscal year 2006 and 2005.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2006	2005
Revenues		
Program Revenues:		
Charges for Services	\$ 1,431,761	\$ 1,385,988
Operating Grants	466,866	349,431
General Revenues:		
Property Taxes	3,287,182	3,180,529
Grants and Entitlements	2,706,680	2,851,705
Other	415,238	201,687
<i>Total Revenues</i>	8,307,727	7,969,340
Program Expenses		
Instructions	4,838,717	4,655,887
Support Services	2,262,383	2,696,512
Extracurricular Activities	13,122	10,134
Interest and Fiscal Charges	0	13,500
<i>Total Expenses</i>	7,114,222	7,376,033
Change in Net Assets	\$ 1,193,505	\$ 593,307

The majority of revenues supporting governmental activities are general revenue. General revenue totaled \$6,409,100 or 77.2 percent of total revenue. The most significant portion of the general revenue is local property taxes and grants and entitlements not restricted for specific programs. The remaining amount of revenue received was in the form of program revenues, which equated to \$1,898,627 or only 22.8 percent of total revenue. There were no individual significant events that effected the changes in revenues for fiscal year 2006.

The Career Center has carefully planned its financial existence by forecasting its revenues and expenditures over the next five years. The Career Center's revenue growth is mostly dependent upon property tax increases and new construction. Property taxes made up 40 percent of revenues for governmental activities for the Career Center in fiscal year 2006. Although the Career Center relies heavily upon local property taxes to support its operations, the Career Center does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Instructional expenses comprise 68 percent of governmental program expenses. Additional supporting services, including program expenses of pupils, instructional staff and operation and maintenance of plant, encompassed an additional 32 percent. The remaining 0.2 percent of program expenses is used for other obligations of the Career Center such as extracurricular activities.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activities had total revenues of \$8.3 million and expenses of \$7.2 million.

(Table 3)
Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Instruction	\$4,838,717	\$3,152,864	\$4,655,887	\$3,189,681
Support Services:				
Pupil and Instructional Staff	614,757	413,306	625,851	378,464
Board of Education, Administration, Fiscal and Business	1,141,603	1,136,603	1,147,183	1,134,090
Operation and Maintenance of Plant	423,950	423,950	874,545	871,745
Pupil Transportation and Central	82,073	82,073	48,933	48,933
Extracurricular Activities	13,122	6,799	10,134	4,201
Interest and Fiscal Charges	0	0	13,500	13,500
<i>Total Expenses</i>	<u>\$7,114,222</u>	<u>\$5,215,595</u>	<u>\$7,376,033</u>	<u>\$5,640,614</u>

The dependence upon the general revenues for governmental activities is apparent. Over 73 percent of expenses are not supported by program specific revenues. General revenues, primarily local property taxes and operating grants are used to provide program services. The community, as a whole, is by far the primary supporter for the Career Center's students.

The Career Center's Funds

As of the end of the current fiscal year, the Career Center's governmental funds reported combined ending fund balances of \$9,883,161 an increase of \$1,591,436 from 2005. The general fund had an increase of \$1,299,045 due to the Career Center's reduction of staff.

As staff members leave most staff are not replaced, due to the fear that guarantee money from the state will be cut without notice. However, some staff are replaced if needed. Also, since the Career Center is a joint vocational school, it would be nearly impossible to pass a new tax levy. Our Career Center is made up of 4 local school districts that would each have to pass a tax request by a majority vote for Portage Lakes Career Center to receive additional money. These 4 districts have a history of having a low passage rate for new levies. Therefore, the Career Center actively seeks ways to spend a considerable amount less than we receive in order to stay solvent in the event that the state foundation guarantee program is eliminated. Supplemental equipment dollars from the state have been lost so all spending on equipment from the general fund was

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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stopped. Other areas of budget cuts include supplies, mileage reimbursements, etc. The adult education programs fund increased \$159,852 due partially to a yearly transfer of \$50,000 from the general fund. In order for the adult education programs to remain a full service center, the Career Center must transfer \$50,000 to the adult education programs each year, regardless of their profitability.

Budgeting Highlights

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

During the course of fiscal year 2006, there were minor changes to the Career Center's total general fund budget. The Career Center uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budget basis revenue was approximately \$6.9 million. The Career Center's general fund revenue exceeded the expenditures by \$1.9 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006 the Career Center had \$5.9 million invested in land, building improvements, equipment and furniture, and vehicles. Table 4 shows fiscal year 2006 balances compared with 2005 net of depreciation.

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

	Governmental Activities	
	2006	2005
Land	147,500	\$ 147,500
Buildings and Improvements	2,134,206	2,200,746
Furniture and Equipment	285,713	244,603
Vehicles	3,609	5,718
Totals	2,571,028	\$ 2,598,567

The approximately \$28,000 decrease in capital assets was attributable to depreciation expense exceeding additional purchases. See Note 7 to the basic financial statements for detail on governmental activities capital assets.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Debt

At June 30, 2006, the Career Center had improvement loans totaling \$433,334 with \$33,333 due within one year. Table 5 summarizes the Career Center's outstanding debt.

(Table 5)
Outstanding Debt at June 30

	<u>2006</u>	<u>2005</u>
Loans Payable:		
Vocation School Building Assistance	<u>433,334</u>	<u>466,667</u>

See Note 12 to the basic financial statements for detail on governmental activities outstanding debt.

Current Issues

Portage Lakes Career Center receives approximately 40 % of its revenue from the State. The Career Center does receive additional revenue for being on the state guarantee. In fiscal year 2006 this revenue for the guarantee was \$672,310. The Career Center also receives a large amount of revenue in open enrollment from the four districts served. In fiscal year 2006 the open enrollment amount was \$446,329. Enrollment has remained steady for the past several years.

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

The five-year forecast projects approximately a \$9 million carryover in the general fund for the next five years. This is contingent on the state guarantee remaining in place.

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

Contacting the Career Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Career Center's finances and to show the Career Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Eydie Snowberger, Treasurer of Portage Lakes Career Center, 4401 Shriver Road, P.O. Box 248, Green, Ohio 44232-0248.

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Portage Lakes Career Center
Statement of Net Assets
June 30, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 10,297,429
Receivables:	
Taxes	3,292,403
Intergovernmental	1,536
Nondepreciable Capital Assets	147,500
Depreciable Capital Assets (Net)	2,423,528
 <i>Total Assets</i>	 16,162,396
Liabilities	
Accounts Payable	44,158
Accrued Wages and Benefits	551,034
Intergovernmental Payable	103,551
Accrued Vacation Payable	29,058
Matured Compensated Absences Payable	38,647
Unearned Revenue	2,896,871
Claims Payable	159,680
Long Term Liabilities:	
Due Within One Year	78,963
Due Within More Than One Year	883,839
 <i>Total Liabilities</i>	 4,785,801
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,137,694
Restricted for:	
Capital Projects	2,000,000
Other Purposes	1,084,206
Unrestricted	6,154,695
 <i>Total Net Assets</i>	 \$ 11,376,595

See accompanying notes to basic financial statements.

Portage Lakes Career Center
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 448,451	\$ 2,440	\$ 0	\$ (446,011)
Special	172,964	0	0	(172,964)
Vocational	3,215,849	446,329	24,901	(2,744,619)
Adult/Continuing	1,001,035	976,669	235,514	211,148
Other	418	0	0	(418)
Support Services:				
Pupils	473,034	0	192,891	(280,143)
Instructional Staff	141,723	0	8,560	(133,163)
Board of Education	24,344	0	5,000	(19,344)
Administration	742,729	0	0	(742,729)
Fiscal	374,530	0	0	(374,530)
Operation and Maintenance of Plant	423,950	0	0	(423,950)
Pupil Transportation	33,148	0	0	(33,148)
Central	48,925	0	0	(48,925)
Extracurricular Activities	13,122	6,323	0	(6,799)
<i>Total Governmental Activities</i>	<u>\$ 7,114,222</u>	<u>\$ 1,431,761</u>	<u>\$ 466,866</u>	<u>(5,215,595)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	3,287,182
Grants and Entitlements not	
Restricted to Specific Programs	2,706,680
Gifts and Donations	13,732
Investment Earnings	398,201
Miscellaneous	3,305
<i>Total General Revenues</i>	<u>6,409,100</u>
<i>Change in Net Assets</i>	1,193,505
<i>Net Assets Beginning of Year</i>	<u>10,183,090</u>
<i>Net Assets End of Year</i>	<u>\$ 11,376,595</u>

See accompanying notes to basic financial statements.

Portage Lakes Career Center
Balance Sheet
Governmental Funds
June 30, 2006

	<u>General</u>	<u>Adult Education Programs</u>	<u>Replacement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 6,901,756	\$ 1,128,195	\$ 2,000,000	\$ 70,205	\$ 10,100,156
Restricted Cash	185,120	0	0	0	185,120
Receivables:					
Taxes	3,292,403	0	0	0	3,292,403
Interfund	0	1,000	0	0	1,000
Intergovernmental	1,536	0	0	0	1,536
<i>Total Assets</i>	<u>\$ 10,380,815</u>	<u>\$ 1,129,195</u>	<u>\$ 2,000,000</u>	<u>\$ 70,205</u>	<u>\$ 13,580,215</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 38,356	\$ 5,449	\$ 0	\$ 353	\$ 44,158
Accrued Wages and Benefits	519,651	25,775	0	5,608	551,034
Intergovernmental Payable	89,934	13,428	0	189	103,551
Interfund payable	1,000	0	0	0	1,000
Matured Compensated Absences	38,647	0	0	0	38,647
Deferred Revenue	2,958,664	0	0	0	2,958,664
<i>Total Liabilities</i>	3,646,252	44,652	0	6,150	3,697,054
Fund Balances					
Reserved for Encumbrances	43,312	3,165	0	3,948	50,425
Reserved for Property Taxes	333,739	0	0	0	333,739
Reserved for Budget Stabilization	38,707	0	0	0	38,707
Unreserved:					
Designated for Budgeted Stabilization	146,413	0	0	0	146,413
Undesignated, Reported in:					
General Fund	6,172,392	0	0	0	6,172,392
Special Revenue Funds	0	1,081,378	0	60,107	1,141,485
Capital Projects Fund	0	0	2,000,000	0	2,000,000
<i>Total Fund Balances</i>	<u>6,734,563</u>	<u>1,084,543</u>	<u>2,000,000</u>	<u>64,055</u>	<u>9,883,161</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 10,380,815</u>	<u>\$ 1,129,195</u>	<u>\$ 2,000,000</u>	<u>\$ 70,205</u>	<u>\$ 13,580,215</u>

See accompanying notes to basic financial statements.

Portage Lakes Career Center
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2006

Total Governmental Fund Balances	\$	9,883,161
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		2,571,028
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Delinquent Property Taxes		61,793
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.		(147,527)
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Loans Payable		(433,334)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Vacation Benefits Payable	\$ (29,058)	
Compensated Absences	(529,468)	(558,526)
<i>Net Assets of Governmental Activities</i>	<u>\$</u>	<u>11,376,595</u>

See accompanying notes to basic financial statements.

Portage Lakes Career Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Adult Education Programs	Replacement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 3,327,829	\$ 0	\$ 0	\$ 0	\$ 3,327,829
Intergovernmental	2,688,680	247,764	0	231,352	3,167,796
Investment Income	397,986	0	0	215	398,201
Tuition and Fees	496,997	851,011	0	0	1,348,008
Extracurricular Activities	0	0	0	6,323	6,323
Charges for Services	71,355	2,350	0	0	73,705
Rentals	0	5,750	0	0	5,750
Gifts and Donations	230	0	0	13,502	13,732
Miscellaneous	6,124	682	0	224	7,030
<i>Total Revenues</i>	<u>6,989,201</u>	<u>1,107,557</u>	<u>0</u>	<u>251,616</u>	<u>8,348,374</u>
Expenditures:					
Current:					
Instruction:					
Regular	403,442	0	0	0	403,442
Special	155,007	0	0	0	155,007
Vocational	2,972,725	0	0	25,644	2,998,369
Adult /Continuing	0	992,841	0	0	992,841
Other	168	0	0	250	418
Support Services:					
Pupils	248,944	0	0	198,403	447,347
Instructional Staff	130,084	0	0	7,923	138,007
Board of Education	24,344	0	0	0	24,344
Administration	686,663	0	0	9,273	695,936
Fiscal	364,976	0	0	5,359	370,335
Operation and Maintenance of Plant	413,115	4,864	0	0	417,979
Pupil Transportation	33,148	0	0	0	33,148
Central	41,290	0	0	0	41,290
Extracurricular Activities	2,879	0	0	10,098	12,977
Capital Outlay	10,206	0	0	0	10,206
Debt Service:					
Principal Retirement	0	0	0	33,333	33,333
<i>Total Expenditures</i>	<u>5,486,991</u>	<u>997,705</u>	<u>0</u>	<u>290,283</u>	<u>6,774,979</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,502,210	109,852	0	(38,667)	1,573,395
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	18,041	0	0	0	18,041
Transfers In	0	50,000	150,000	21,206	221,206
Transfers Out	(221,206)	0	0	0	(221,206)
<i>Total Financing Sources and (Uses)</i>	<u>(203,165)</u>	<u>50,000</u>	<u>150,000</u>	<u>21,206</u>	<u>18,041</u>
<i>Net Change in Fund Balance</i>	1,299,045	159,852	150,000	(17,461)	1,591,436
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>5,435,518</u>	<u>924,691</u>	<u>1,850,000</u>	<u>81,516</u>	<u>8,291,725</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 6,734,563</u>	<u>\$ 1,084,543</u>	<u>\$ 2,000,000</u>	<u>\$ 64,055</u>	<u>\$ 9,883,161</u>

See accompanying notes to basic financial statements.

Portage Lakes Career Center
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	1,591,436
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 102,361	
Current Year Depreciation	<u>(129,900)</u>	(27,539)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes		(40,647)
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities.		
		(305,575)
 Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Loan Principal		33,333
 Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	\$ (51,100)	
Vacation Benefits Payable	<u>(6,403)</u>	<u>(57,503)</u>
 Change in Net Assets of Governmental Activities	 \$	 <u><u>1,193,505</u></u>

See accompanying notes to basic financial statements.

Portage Lakes Career Center
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 3,058,222	\$ 3,202,359	\$ 3,217,920	\$ 15,561
Intergovernmental	2,938,518	2,807,015	2,691,038	(115,977)
Investment Income	200,000	200,000	397,986	197,986
Tuition and Fees	559,810	561,110	496,997	(64,113)
Charges for Services	113,500	113,500	71,355	(42,145)
Gifts and Donations	1,500	1,500	230	(1,270)
Miscellaneous	5,000	5,000	6,124	1,124
<i>Total Revenues</i>	<u>6,876,550</u>	<u>6,890,484</u>	<u>6,881,650</u>	<u>(8,834)</u>
Expenditures:				
Current:				
Instruction:				
Regular	425,609	427,603	415,606	11,997
Special	156,676	154,898	153,735	1,163
Vocational	3,088,091	3,290,538	3,053,606	236,932
Other	5,959	582	336	246
Support Services:				
Pupils	257,222	255,792	248,315	7,477
Instructional Staff	134,397	177,277	133,590	43,687
Board of Education	42,184	34,020	24,702	9,318
Administration	700,051	729,800	688,099	41,701
Fiscal	356,569	388,170	373,547	14,623
Operation and Maintenance of Plant	637,826	461,958	414,075	47,883
Pupil Transportation	53,045	53,045	34,708	18,337
Central	73,493	28,544	27,491	1,053
Extracurricular Activities	2,879	2,879	2,879	0
Capital Outlay	50,000	74,888	68,202	6,686
<i>Total Expenditures</i>	<u>5,984,001</u>	<u>6,079,994</u>	<u>5,638,891</u>	<u>441,103</u>
Excess of Revenues Over (Under) Expenditures	892,549	810,490	1,242,759	432,269
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	1,300	1,300	18,041	16,741
Refund of Prior Year Expenditures	500	500	465	(35)
Transfers Out	(217,167)	(221,206)	(221,206)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(215,367)</u>	<u>(219,406)</u>	<u>(202,700)</u>	<u>16,706</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	677,182	591,084	1,040,059	448,975
<i>Fund Balance (Deficit) at Beginning of Year</i>	5,879,037	5,879,037	5,879,037	0
Prior Year Encumbrances Appropriated	86,119	86,119	86,119	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 6,642,338</u>	<u>\$ 6,556,240</u>	<u>\$ 7,005,215</u>	<u>\$ 448,975</u>

See accompanying notes to basic financial statements.

Portage Lakes Career Center
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Adult Education Programs
 For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 243,000	\$ 243,000	\$ 247,764	\$ 4,764
Tuition and Fees	822,000	770,620	851,011	80,391
Rent	7,000	7,000	5,750	(1,250)
Charges for Services	2,000	0	2,350	2,350
Miscellaneous	1,000	1,000	682	(318)
<i>Total Revenues</i>	<u>1,075,000</u>	<u>1,021,620</u>	<u>1,107,557</u>	<u>85,937</u>
Expenditures:				
Current:				
Instruction:				
Adult/Continuing	1,137,054	1,168,211	1,003,582	164,629
Support Services:				
Operation and Maintenance of Plant	560	2,804	2,460	344
<i>Total Expenditures</i>	<u>1,137,614</u>	<u>1,171,015</u>	<u>1,006,042</u>	<u>164,973</u>
Excess of Revenues Over (Under) Expenditures	(62,614)	(149,395)	101,515	250,910
Other Financing Sources (Uses):				
Transfers In	50,000	135,938	50,000	(85,938)
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(12,614)	(13,457)	151,515	164,972
<i>Fund Balance (Deficit) at Beginning of Year</i>	949,627	949,627	949,627	0
Prior Year Encumbrances Appropriated	18,584	18,584	18,584	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 955,597</u>	<u>\$ 954,754</u>	<u>\$ 1,119,726</u>	<u>\$ 164,972</u>

See accompanying notes to basic financial statements.

Portage Lakes Career Center
Statement of Net Assets
Proprietary Fund
June 30, 2006

	Governmental Activities Internal Service Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 12,153
<i>Total Assets</i>	<u>12,153</u>
Liabilities	
Claims Payable	<u>159,680</u>
<i>Total Liabilities</i>	<u>159,680</u>
Net Assets	
Unrestricted	<u>(147,527)</u>
<i>Total Net Assets</i>	<u><u>\$ (147,527)</u></u>

See accompanying notes to basic financial statements.

Portage Lakes Career Center
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2006

	Governmental Activities Internal Service Fund
Operating Revenues:	
Charges for Services	\$ 935,083
Operating Expenses:	
Purchased Services	134,572
Claims	1,117,984
<i>Total Operating Expenses</i>	1,252,556
<i>Operating Income (Loss)</i>	(317,473)
Non-Operating Revenues (Expenses)	
Interest on Investments	11,898
<i>Net Change in Net Assets</i>	(305,575)
<i>Net Assets (Deficit) Beginning of Year</i>	158,048
<i>Net Assets (Deficit) End of Year</i>	\$ (147,527)

See accompanying notes to basic financial statements.

Portage Lakes Career Center
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2006

	Governmental Activities Internal Service Fund
Cash Flows From Operating Activities:	
Cash Received for Charges for Services	\$ 935,083
Cash Paid for Services	(134,572)
Cash Paid for Claims	(1,050,167)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<i>(249,656)</i>
Cash Flows From Investing Activities:	
Interest on Investments	11,898
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<i>(237,758)</i>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<i>249,911</i>
<i>Cash and Cash Equivalents at End of Year</i>	<i>\$ 12,153</i>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ (317,473)
Adjustments:	
Increase (Decrease) in Liabilities	
Claims Payable	67,817
<i>Net Cash Provided By (Used For) Operating Activities</i>	<i>\$ (249,656)</i>

See accompanying notes to basic financial statements.

Portage Lakes Career Center
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 85,882
<i>Total Assets</i>	<u>\$ 85,882</u>
Liabilities	
Due to Students	\$ 22,345
Undistributed Monies	<u>63,537</u>
<i>Total Liabilities</i>	<u>\$ 85,882</u>

See accompanying notes to basic financial statements.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 1 - Description of the Career Center and Reporting Entity

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

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

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

Reporting Entity

The Portage Lakes Career Center is a Career Center corporation governed by an appointed Board of Education. The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the Career Center are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Career Center.

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

The Career Center participates in two jointly governed organizations and one public entity risk pool. These organizations are the Northeast Ohio Network for Educational Technology, the Interval Opportunity School, and the Ohio School Boards Association Workers’ Compensation Group Rating Program. These organizations are presented in Notes 8 and 13 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the Career Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Career Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. For the year ended June 30, 2006, the School District has implemented GASB Statement No 42, “*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.*” GASB Statement No. 46 “*Net Assets Restricted by Enabling Legislation*”, and Statement No. 47 “*Accounting for Termination Benefits.*”

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balances as a result of the implementation of these new Standards. The most significant of the Career Center's accounting policies are described below.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

B. Fund Accounting

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

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

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

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

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

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

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

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

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

C. Measurement Focus

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

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

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the Career Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Career Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Career Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2006, investments were limited to repurchase agreements, certificates of deposit and STAROhio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Certificates of deposit and repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$397,986 which includes \$126,260 assigned from other Career Center funds.

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

F. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Career Center maintains a capitalization threshold of \$2,500. The Career Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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>Estimated Lives</u>
Land	N/A
Buildings	30 - 60 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 - 15 Years

G. Interfund Balances

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

H. Compensated Absences

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

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "Matured Compensated Absences" payable in the basic financial statements within the fund the employee will be paid from.

I. Accrued Liabilities and Long-term Obligations

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

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

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Career Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

K. Fund Balance Reserves and Designation

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

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

Designated fund balance represents planned actions for monies set-aside by the Career Center for budget stabilization.

L. Operating Revenues and Expenses

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

M. Interfund Activity

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

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

N. Estimates

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

O. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Career Center Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

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 budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Note 3 - Budgetary Basis of Accounting

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

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

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

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balance

	General Fund	Adult Education Programs
GAAP Basis	\$ 1,299,045	\$ 159,852
Net Adjustment for Revenue Accruals	(107,086)	0
Net Adjustment for Expenditure Accruals	(70,233)	140
Adjustment for Encumbrances	(81,667)	(8,477)
Budget Basis	\$ 1,040,059	\$ 151,515

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.

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

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
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

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

- Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
 4. Bonds and other obligations of the State of Ohio;
 5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
 6. The State Treasurer's investment pool (STAROhio);
 7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
 8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of Career Center's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Deposits At fiscal year-end, the carrying amount of the Career Center's deposits was \$8,943,995 and the bank balance was \$8,989,334. Of the bank balance:

1. \$200,000 of the bank balance was covered by depository insurance; and
 2. \$8,789,334 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Career Center to a successful claim by the FDIC.
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Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Investments

Investments are reported at fair value. As of June 30, 2006, the Career Center had the following investments:

	Fair Value	Maturity 0-12 Months
Repurchase Agreement	\$ 435,000	\$ 435,000
STAROhio	1,004,316	1,004,316
Total	\$ 1,439,316	\$ 1,439,316

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The Career Center’s policy is to follow State statute which is to invest funds with the highest interest rate bid.

Credit Risk: The Career Center investments during June 30, 2006 included overnight repurchase account, and STAROhio. Its investment in STAROhio is rated AAAM by Standard and Poor’s. No other investments are rated by Standard & Poor’s or Moody’s Investors Service.

Concentration of Credit Risk: The Career Center investment policy authorizes the Treasurer to invest a maximum of 25% of interim funds in investments allowed by State statute. At various times during the year, the Career Center’s overnight repurchase account and STAROhio account exceeded more than 5 percent of the Career Center’s investments. Of the total ending investment balance, 30% was in the Repurchase Agreement account and the remaining 70% was deposited in the STAROhio account.

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Career Center. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Career Center prior to June 30.

The Summit County Fiscal Officer periodically advances to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2006 was \$333,739 and is recognized as revenue in the general fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections Valuation	%	2006 First Half Collections Valuation	%
Real Property				
Residential/Agricultural	\$ 1,085,071,650	71.89%	\$ 1,213,569,190	74.64%
Commerical/Industrial	275,523,750	18.25%	289,240,780	17.78%
Tangible Personal Property				
General	112,215,497	7.43%	88,545,165	5.45%
Public Utilities	36,704,330	2.43%	34,604,820	2.13%
Total Assessed Valuation	<u>\$ 1,509,515,227</u>	<u>100.00%</u>	<u>\$ 1,625,959,955</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$4.35		 \$4.35	

Note 6 - Receivables

Receivables at June 30, 2006, consisted of taxes, interfund, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Intergovernmental receivables consisted of \$1,536 in the general fund for operating grants.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 6/30/05	Additions	Reductions	Balance 6/30/06
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 147,500	\$ 0	\$ 0	\$ 147,500
<i>Capital Assets, being depreciated:</i>				
Buildings	4,126,080	0	0	4,126,080
Furniture and Equipment	1,530,296	102,361	(9,098)	1,623,559
Vehicles	23,483	0	0	23,483
Total Capital Assets, being depreciated	5,679,859	102,361	(9,098)	5,773,122
Less Accumulated Depreciation:				
Buildings	(1,925,334)	(66,540)	0	(1,991,874)
Furniture and Equipment	(1,285,693)	(61,251)	9,098	(1,337,846)
Vehicles	(17,765)	(2,109)	0	(19,874)
Total Accumulated Depreciation	(3,228,792)	(129,900)	9,098	(3,349,594)
Total Capital Assets being depreciated, net	2,451,067	(27,539)	0	2,423,528
Governmental Activities Capital Assets, Net	<u>\$ 2,598,567</u>	<u>\$ (27,539)</u>	<u>\$ 0</u>	<u>\$ 2,571,028</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction:	
Regular	\$ 23,173
Vocational	76,584
Adult/Continuing	4,663
Support Services:	
Pupil	733
Instructional Staff	3,168
Administration	8,237
Fiscal	4,271
Operation and Maintenance of Plant	8,926
Operation of Non-Instructional Services	145
Total Depreciation	<u>\$ 129,900</u>

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 8 - Risk Management

A. Property and Liability

The Career Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Career Center maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. Settled claims have not exceeded this coverage in any of the past three years.

B. Workers' Compensation

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

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

C. Employee Medical Benefits

The Career Center has established a medical self-insurance fund which is accounted for in an internal service fund. The purpose of this fund is to pay medical and dental claims of the Career Center's employees and their covered dependents and minimize the total cost of medical insurance to the Career Center. For the plan year ended June 30, 2006, the greater of medical claims exceeding \$40,000 per covered individual per year, or 90% of the first monthly aggregate deductible for a policy year multiplied by 12, are covered through private insurance carriers. The self-insurance fund is funded by expenditures for health insurance out of the general fund.

The claims liability of \$159,680 reported in the internal service fund at June 30, 2006 is based on the requirements of Government Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost, including estimates of cost relating to incurred but not reported claims, be reported. Changes in the fund's claims liability amount in fiscal year 2006 were:

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

		<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2006	\$	91,863	\$ 1,117,984	\$ 1,050,167	\$ 159,680
2005	\$	95,163	\$ 993,788	\$ 997,088	\$ 91,863

Note 9– Compensated Absences

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

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

Note 10- Defined Benefit Pension Plans

A. School Employees Retirement System

The Career Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10% of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current Career Center rate is 14% of annual covered payroll. A portion of the Career Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefit: for fiscal year 2006, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Career Center's required contributions to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$130,596, \$106,371, and \$100,041 respectively; 87% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. \$17,524 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

B. State Teachers Retirement System

The Career Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly available stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, 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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10% of their annual covered salaries. The Career Center was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Career Center's required contributions to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$445,562, \$447,376, and \$451,441, respectively; 85% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$7,611 made by the Career Center and \$13,051 made by the plan members. \$67,184 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 11 - Postemployment Benefits

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

STRS retirees who participate in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the Career Center, this amount equaled \$31,826 the 2006 fiscal year.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2005 (lastest information available), the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, the health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on year of service, Medicare eligibility and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2005, employer contributions to fund health care benefits were 3.43% of covered payroll, a decrease of 1.48% from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the Career Center, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$58,544.

The surcharge, added to the unallocated portion of the 14 % employer contribution rate, provides for maintenance of assets target level for the health care fund. Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 58,123.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 12 - Long - Term Obligations

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

	Outstanding 06/30/05	Additions	Reductions	Outstanding 06/30/06	Amounts Due in One Year
Governmental Activities:					
Loan Payable:					
Vocational School Building Assistance					
Due 6/24/19 0%	\$ 466,667	\$ 0	\$ 33,333	\$ 433,334	\$ 33,333
Compensated Absences	478,368	127,155	76,055	529,468	45,630
Total Governmental Activities					
Long-Term Liabilities	\$ 945,035	\$ 127,155	\$ 109,388	\$ 962,802	\$ 78,963

The Career Center received a \$500,000 interest free loan from the Ohio School Facilities program, which was subsequently used to pay off a improvement note. The retirement of the laon will be made through the debt service fund.

Compensated Absences will be paid from the fund in which the employee is paid. In prior years, this fund has primarily been the general fund.

Principal and interest requirements to retire loans outstanding at June 30, 2006 are as follows:

Fiscal Year Ending June 30,	Loans		
	Principal	Interest	Total
2007	\$ 33,333	\$ 0	\$ 33,333
2008	33,333	0	33,333
2009	33,333	0	33,333
2010	33,333	0	33,333
2011	33,333	0	33,333
2012-2016	166,665	0	166,665
2017-2019	100,004	0	100,004
Totals	\$ 433,334	\$ 0	\$ 433,334

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 13 - Jointly Governed Organizations

A. Northeastern Ohio Network for Educational Technology

The Northeastern Ohio Network for Educational Technology (NEONET) is a jointly governed organization comprised of 17 School District members. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these members supports NEONET based on a per pupil charge dependent upon the software package utilized. The NEONET assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEONET is governed by a board of directors chosen from the general membership of the NEONET assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating members are located. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center which serves as fiscal agent, located at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2006, the Career Center paid approximately \$12,337 to NEONET for basic service charges.

B. Interval Opportunity School

The Interval Opportunity School (the School) is a jointly governed organization made up of six area public participants. The function of the School is to provide “at risk students” with possibly a last and a better opportunity to succeed in both their academic and social maturation. Each member district pays an annual fee based on the number of students serviced by the school. The Career Center paid \$15,000 to the School in fiscal year 2006 for services. The School is governed by a Board of Directors comprised of each Superintendent from Coventry, Green and the Career Center. The Coventry Local School District serves as the fiscal agent of the School. The continued existence of the School is not dependent on the Career Center’s continued participation and no equity interest exists.

Note 14 – Contingencies

A. Grants

The Career Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Career Center at June 30, 2006.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 15 - Interfund Transfers

Transfers made during fiscal year 2006 were as follows:

Funds	Transfer In	Transfer Out
General Fund	\$ 0	\$ 221,206
Adult Education Programs	50,000	0
Replacement Fund	150,000	0
Other Nonmajor Governmental Funds	21,206	0
Total	<u>\$ 221,206</u>	<u>\$ 221,206</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 16 - Interfund Balances

Interfund balances at June 30, 2006 consisted \$1,000 owed by the general fund to the adult education-full service grant special revenue fund. This balance was the result of an overpayment of a loan owed to the general fund by the adult education fund. As of June 30, 2006, all interfund payables outstanding are anticipated to be repaid in fiscal year 2007.

Note 17 - Set-Asides

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

Effective April 10, 2001, Senate Bill 345, eliminated the requirement that the Career Center establish and maintain a budget stabilization reserve. The monies which do not represent the Bureau of Workers Compensation (BWC) refunds may be left in the budget reserve set-aside, or returned to the general fund and used at the discretion of the of the Career Center's Board of Education.

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

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

	Budget Stabilization**	Capital Improvement	Textbooks Instructional Materials	Totals
Set-Aside Carry Over Balance as of June 30, 2005	\$ 185,120	\$ 0	\$ (63,315)	\$ 121,805
Current Year Set-Aside Requirement	0	46,620	46,620	93,240
Qualifying Disbursements	0	(50,565)	(86,695)	(137,260)
Total	\$ 185,120	\$ (3,945)	\$ (103,390)	\$ 185,120
Balance Carried Forward FY 2007	\$ 185,120	\$ 0	\$ (103,390)	\$ 81,730
Amount to Restrict for Set-Asides				\$ 185,120
Amount to Set-Aside				\$ 185,120

**Adjusted ending 2005 to actual amounts.

The Career Center had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts may only be used to reduce the set-aside requirement of future years for the purchase of textbooks and/or instructional materials. Negatives are therefore not presented as being carried forward to the next fiscal year for the other set-asides. The total reserve balance for the set-asides at the end of the fiscal year was \$185,120. Of the \$185,120, \$38,707 represents BWC refunds which are reported as a reserve fund balance. The remaining amount of \$146,413 is reported as a designated for budget stabilization.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 20, 2006

To the Board of Education
Portage Lakes Career Center
Summit County, Ohio

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Portage Lakes Career Center as of and for the year ended June 30, 2006, which collectively comprise the Career Center's basic financial statements, and have issued our report thereon dated November 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Portage Lakes Career Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Portage Lakes Career Center in a separate letter dated November 20, 2006.

This report is intended solely for the information and use of by the Board of Education, management, and federal awarding agencies, and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 20, 2006

To the Board of Education
Portage Lakes Career Center
Summit County, Ohio

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

Compliance

We have audited the compliance of Portage Lakes Career Center with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to the Career Center's major program for the year ended June 30, 2006. The Career Center's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Portage Lakes Career Center's management. Our responsibility is to express an opinion on Portage Lakes Career Center's compliance based on our audit.

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

In our opinion, Portage Lakes Career Center complied, in all material respects, with the requirements referred to above that are applicable to its major program for the year ended June 30, 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Portage Lakes Career Center 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 Portage Lakes Career Center's internal control over compliance with requirements that could have a direct and material effect on its major program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Portage Lakes Career Center in a separate letter dated November 20, 2006.

Schedule of Expenditures of Federal Awards – Non GAAP Budgetary Basis

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Portage Lakes Career Center as of and for the year ended June 30, 2006, which collectively comprise the Career Center's basic financial statements, and have issued our report thereon dated November 20, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, and the federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.

Kea & Associates, Inc.

PORTAGE LAKES CAREER CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
U. S. Department of Education				
(Direct)				
<i>Student Federal Aid Cluster:</i>				
Federal Pell Grant Program Admin. Allowance	84.063	N/A	340	340
Federal Pell Grant Program	84.063	N/A	129,655	129,655
Total Federal Pell Grant Program			<u>129,995</u>	<u>129,995</u>
Federal Family Education Loans	84.032	N/A	429,708	404,555
Total Federal Family Education Loans			<u>429,708</u>	<u>404,555</u>
Total Student Financial Aid Cluster			<u>559,703</u>	<u>534,550</u>
(Passed Through Ohio Department of Education):				
Safe and Drug-Free Schools and Communities	84.186	DR-S1-2006 DR-S1-2005	1,354 -	1,354 901
Total Safe and Drug-Free Schools and Communities			<u>1,354</u>	<u>2,255</u>
Title II-A	84.367	TR-S1-2006 TR-S1-2005	2,835 -	2,835 7
Total Title II-A			<u>2,835</u>	<u>2,842</u>
Title V	84.298	C2-S1-2006 C2-S1-2005 C2-S1-2004	1,630 - -	1,630 1,549 82
Total Title V			<u>1,630</u>	<u>3,261</u>
Carl D. Perkins Vocational Education	84.048	20-C1-2006 20-C2-2006 2D-C1-2005	127,043 65,848 -	122,536 63,800 5,626
Total Carl D. Perkins Vocational Education			<u>192,891</u>	<u>191,962</u>
Total Department of Education:			758,413	734,870
U. S. Department of Defense				
(Direct)				
Air Force R.O.T.C. Grant	12xxx	N/A	31,591	31,591
Total Air Force R.O.T.C. Grant			<u>31,591</u>	<u>31,591</u>
Air Force R.O.T.C. Logistical Grant	12xxx	N/A	13,929	10,100
Total Air Force R.O.T.C. Logistical Grant			<u>13,929</u>	<u>10,100</u>
Total Department of Defense:			45,520	41,691
Total Federal Assistance			<u>803,933</u>	<u>776,561</u>

**PORTAGE LAKES CAREER CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non- compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Student Financial Assistance Cluster: CFDA # 84.032 CFDA # 84.063
(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 were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
06/30/06**

Finding number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; of Finding No Longer Valid; Explain
2005-001	One of the Career Center's service organizations did not obtain a Type 2 SAS 70 report.	Yes	Career center changed organization prior to release of 2005 report, Type 2 SAS 70 was received in 2006.



Mary Taylor, CPA
Auditor of State

PORTAGE LAKES CAREER CENTER

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 8, 2007**