



**Auditor of State
Betty Montgomery**

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Portage Lakes Career Center, Summit County, Ohio, as of June 30, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Adult Education funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, the Career Center changed methods of accounting for compensated absences from the vesting method to the termination method resulting in the restatement of net assets as of June 30, 2004. Additionally, the Career Center reclassified an additional fund which had previously accounted for adult education – long term program activity within the nonmajor funds to the Adult Education – Long Term Program Activity major fund, resulting in the restatement of fund balances as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2006, on our consideration of the Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Career Center's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

March 17, 2006

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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, 2005. 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 2005 are as follows:

- General Revenues accounted for \$6.2 million in revenue or 78.2 percent of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for approximately \$1.8 million or 21.8 percent of total revenues of \$8.0 million.
- Total program expenses were \$7.4 million in Governmental Activities.
- In total, net assets of Governmental Activities increased approximately \$.6 million, which represents a 6.2 percent increase from 2004.

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 2005?" 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
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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, 2005
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 2005 compared to 2004:

(Table 1)
Net Assets

	Governmental Activities	
	2005	Restated 2004
Assets		
Current and Other Assets	\$ 12,313,003	\$ 11,808,451
Capital Assets	2,598,567	2,708,996
Total Assets	14,911,570	14,517,447
Liabilities		
Long-Term Liabilities	945,035	1,291,737
Other Liabilities	3,783,445	3,635,927
Total Liabilities	4,728,480	4,927,664
Net Assets		
Invested in Capital Assets Net of Debt	2,131,900	2,348,996
Restricted	2,791,179	2,631,233
Unrestricted	5,260,011	4,609,554
Total Net Assets	\$ 10,183,090	\$ 9,589,783

Total net assets increased by approximately \$.6 million. Total assets increased nearly \$.4 million and liabilities decreased nearly \$.2 million. The primary factor which caused the increase in the current and other assets was due to the increase in cash of approximately \$505,000 versus prior year.

Table 2 shows the changes in net assets for fiscal year 2005 and 2004.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2005	Restated 2004
Revenues		
Program Revenues:		
Charges for Services	\$ 1,385,988	\$ 1,509,009
Operating Grants	349,431	551,663
General Revenues:		
Property Taxes	3,180,529	2,913,523
Grants and Entitlements	2,851,705	2,669,791
Other	201,687	157,905
<i>Total Revenues</i>	7,969,340	7,801,891
Program Expenses		
Instructions	4,655,887	4,057,518
Support Services	2,696,512	2,632,340
Operation on Non-Instructional	0	950
Extracurricular Activities	10,134	11,200
Interest and Fiscal Charges	13,500	2,185
<i>Total Expenses</i>	7,376,033	6,704,193
Change in Net Assets	\$ 593,307	\$ 1,097,698

The majority of revenues supporting governmental activities are general revenue. General revenue totaled \$6,233,921 or 78.2 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 \$1,735,419 or only 21.8 percent of total revenue. There were no individual significant events that effected the changes in revenues as compared to fiscal year 2004.

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 2005. 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 63.1 percent of governmental program expenses. Additional supporting services, including program expenses of pupils, instructional staff and operation and maintenance of plant, encompassed an additional 36.6 percent. The remaining 0.3 percent of program expenses is used for other obligations of the Career Center such as extracurricular activities and interest and fiscal charges related the Career Center's long-term borrowing activities.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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 \$8.0 million and expenses of \$7.4 million.

(Table 3)
Governmental Activities

	2005		Restated 2004	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 4,655,887	\$ 3,189,681	\$ 4,057,518	\$ 2,522,692
Support Services:				
Pupils and Instructional Staff	625,851	378,464	565,205	349,738
Board of Education, Administration				
Fiscal and Business	1,147,183	1,134,090	1,058,784	1,096,995
Operation and Maintenance of Plant	874,545	871,745	954,575	960,440
Pupil Transportation and Central	48,933	48,933	53,776	53,985
Operation of Non-Instructional Services	0	0	950	950
Extracurricular Activities	10,134	4,201	11,200	6,273
Interest and Fiscal Charges	13,500	13,500	2,185	2,185
Total	\$ 7,376,033	\$ 5,640,614	\$ 6,704,193	\$ 4,993,258

The dependence upon the general revenues for governmental activities is apparent. Over 76 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 \$8,291,725 an increase of \$623,141 from 2004. The general fund had an increase of \$908,422 due to the Career Center's reduction of staff. As staff members leave they are not replaced due to the fear that guarantee money from the state will be cut without notice. 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, 2005
Unaudited

stopped. Other areas of budget cuts include supplies, mileage reimbursements, etc. The adult education programs fund increased \$41,537 due mainly 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 2005, 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 \$6.6 million. The Career Center's general fund revenue exceeded the expenditures by \$1.1 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005 the Career Center had \$5.8 million invested in land, buildings, equipment, and vehicles. Table 4 shows fiscal year 2005 balances compared with 2004 net of depreciation.

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

	Governmental Activities	
	2005	2004
Land	\$ 147,500	\$ 147,500
Buildings and Improvements	2,200,746	2,269,344
Furniture and Equipment	244,603	284,325
Vehicles	5,718	7,827
Totals	\$ 2,598,567	\$ 2,708,996

The approximately \$.1 million decrease in capital assets was attributable to depreciation expense exceeding additional purchases. See Note 8 to the basic financial statements for detail on governmental activities capital assets.

Debt

At June 30, 2005, the Career Center had improvement loans totaling \$466,667 with \$33,333 due within one year. During fiscal year 2005, \$360,000 of loan payable was retired from proceeds of a vocational school

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

building assistance loan issued through the Ohio School Facilities program. Table 5 summarizes the Career Center's outstanding debt.

(Table 5)
Outstanding Debt at June 30

	<u>2005</u>	<u>2004</u>
Loans Payable:		
HB264 Improvement Note	\$ 0	\$ 360,000
Vocation School Building Assistance	<u>466,667</u>	<u>500,000</u>
Total Debt	<u>\$ 466,667</u>	<u>\$ 860,000</u>

See Note 13 to the basic financial statements for detail on governmental activities outstanding debt.

Current Issues

Portage Lakes Career Center receives approximately 42 % of its revenue from the State. The Career Center does receive additional revenue for being on the state guarantee. In fiscal year 2005 this revenue for the guarantee was \$595,561. The Career Center also receives a large amount of revenue in open enrollment from the four districts served. In fiscal year 2005 the open enrollment amount was \$516,743. 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 \$6 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, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 9,116,130
Receivables:	
Taxes	3,190,309
Intergovernmental	6,564
Nondepreciable Capital Assets	147,500
Depreciable Capital Assets (Net)	<u>2,451,067</u>
 <i>Total Assets</i>	 <u>14,911,570</u>
Liabilities	
Accounts Payable	25,199
Accrued Wages and Benefits	630,840
Intergovernmental Payable	108,329
Accrued Vacation Payable	22,655
Matured Compensated Absences Payable	40,520
Unearned Revenue	2,864,039
Claims Payable	91,863
Long Term Liabilities:	
Due Within One Year	109,388
Due Within More Than One Year	<u>835,647</u>
 <i>Total Liabilities</i>	 <u>4,728,480</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,131,900
Restricted for:	
Debt Service	16,167
Capital Projects	1,850,000
Other Purposes	925,012
Unrestricted	<u>5,260,011</u>
 <i>Total Net Assets</i>	 <u>\$ 10,183,090</u>

See accompanying notes to basic financial statements.

Portage Lakes Career Center
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	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	\$ 422,801	\$ 2,415	\$ 5,595	\$ (414,791)
Special	159,436	0	0	(159,436)
Vocational	3,103,736	1,134,129	63,665	(1,905,942)
Adult/Continuing	968,142	240,711	19,691	(707,740)
Other	1,772	0	0	(1,772)
Support Services:				
Pupils	465,287	0	244,481	(220,806)
Instructional Staff	160,564	0	2,906	(157,658)
Board of Education	26,595	0	0	(26,595)
Administration	747,200	0	8,093	(739,107)
Fiscal	373,388	0	5,000	(368,388)
Operation and Maintenance of Plant	874,545	2,800	0	(871,745)
Pupil Transportation	25,082	0	0	(25,082)
Central	23,851	0	0	(23,851)
Extracurricular Activities	10,134	5,933	0	(4,201)
Interest and Fiscal Charges	13,500	0	0	(13,500)
<i>Total Governmental Activities</i>	<u>\$ 7,376,033</u>	<u>\$ 1,385,988</u>	<u>\$ 349,431</u>	<u>(5,640,614)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				3,180,529
Grants and Entitlements not Restricted to Specific Programs				2,851,705
Gifts and Donations				1,800
Investment Earnings				189,714
Miscellaneous				10,173
<i>Total General Revenues</i>				<u>6,233,921</u>
<i>Change in Net Assets</i>				593,307
<i>Net Assets Beginning of Year (Restated, see Note 3)</i>				<u>9,589,783</u>
<i>Net Assets End of Year</i>				<u>\$ 10,183,090</u>

See accompanying notes to basic financial statements.

Portage Lakes Career Center
Balance Sheet
Governmental Funds
June 30, 2005

	General	Adult Education Programs	Replacement Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 5,926,443	\$ 968,203	\$ 1,850,000	\$ 82,866	\$ 8,827,512
Restricted Cash	38,707	0	0	0	38,707
Receivables:					
Taxes	3,190,309	0	0	0	3,190,309
Interfund	0	1,000	0	0	1,000
Intergovernmental	3,894	0	0	2,670	6,564
<i>Total Assets</i>	<u>\$ 9,159,353</u>	<u>\$ 969,203</u>	<u>\$ 1,850,000</u>	<u>\$ 85,536</u>	<u>\$ 12,064,092</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 24,987	\$ 212	\$ 0	\$ 0	\$ 25,199
Accrued Wages and Benefits	595,162	31,661	0	4,017	630,840
Intergovernmental Payable	95,687	12,639	0	3	108,329
Interfund payable	1,000	0	0	0	1,000
Matured Compensated Absences	40,520	0	0	0	40,520
Deferred Revenue	2,966,479	0	0	0	2,966,479
<i>Total Liabilities</i>	3,723,835	44,512	0	4,020	3,772,367
Fund Balances					
Reserved for Encumbrances	58,920	18,371	0	19,279	96,570
Reserved for Property Taxes	223,830	0	0	0	223,830
Reserved for Budget Stabilization	38,707	0	0	0	38,707
Unreserved:					
Designated for Budgeted Stabilization	93,309	0	0	0	93,309
Undesignated, Reported in:					
General Fund	5,020,752	0	0	0	5,020,752
Special Revenue Funds	0	906,320	0	46,070	952,390
Debt Service Fund	0	0	0	16,167	16,167
Capital Projects Fund	0	0	1,850,000	0	1,850,000
<i>Total Fund Balances</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>Total Liabilities and Fund Balances</i>	<u>\$ 9,159,353</u>	<u>\$ 969,203</u>	<u>\$ 1,850,000</u>	<u>\$ 85,536</u>	<u>\$ 12,064,092</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, 2005

Total Governmental Fund Balances	\$	8,291,725
 <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.		2,598,567
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds. Delinquent Property Taxes		102,440
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.		158,048
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		(466,667)
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 Compensated Absences	(22,655) (478,368)	(501,023)
<i>Net Assets of Governmental Activities</i>	<u>\$</u>	<u>10,183,090</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, 2005

	General	Adult Education Programs	Replacement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 3,162,997	\$ 0	\$ 0	\$ 0	\$ 3,162,997
Intergovernmental	2,702,591	214,614	0	315,266	3,232,471
Investment Income	189,714	0	0	0	189,714
Tuition and Fees	561,540	725,981	0	0	1,287,521
Extracurricular Activities	0	2,800	0	5,933	8,733
Charges for Services	89,129	0	0	0	89,129
Rentals	0	0	0	0	0
Gifts and Donations	1,800	0	0	0	1,800
Miscellaneous	5,602	4,454	0	173	10,229
<i>Total Revenues</i>	6,713,373	947,849	0	321,372	7,982,594
Expenditures:					
Current:					
Instruction:					
Regular	367,771	0	0	0	367,771
Special	147,478	0	0	0	147,478
Vocational	2,864,197	0	0	19,571	2,883,768
Adult / Continuing	0	956,312	0	0	956,312
Other	1,772	0	0	0	1,772
Support Services:					
Pupils	219,163	0	0	222,091	441,254
Instructional Staff	161,164	0	0	2,899	164,063
Board of Education	26,595	0	0	0	26,595
Administration	688,011	0	0	10,110	698,121
Fiscal	347,041	0	0	5,076	352,117
Operation and Maintenance of Plant	585,179	0	0	0	585,179
Pupil Transportation	25,082	0	0	0	25,082
Central	24,099	0	0	0	24,099
Extracurricular Activities	2,879	0	0	7,110	9,989
Capital Outlay	143,070	0	0	126,500	269,570
Debt Service:					
Principal Retirement	0	0	0	393,333	393,333
Interest and Fiscal Charges	0	0	0	13,500	13,500
<i>Total Expenditures</i>	5,603,501	956,312	0	800,190	7,360,003
<i>Excess of Revenues Over (Under) Expenditures</i>	1,109,872	(8,463)	0	(478,818)	622,591
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	550	0	0	0	550
Transfers In	0	50,000	150,000	2,000	202,000
Transfers Out	(202,000)	0	0	0	(202,000)
<i>Total Financing Sources and (Uses)</i>	(201,450)	50,000	150,000	2,000	550
<i>Net Change in Fund Balance</i>	908,422	41,537	150,000	(476,818)	623,141
<i>Fund Balance (Deficit) at Beginning of Year (Restated, See Note 3)</i>	4,527,096	883,154	1,700,000	558,334	7,668,584
<i>Fund Balance (Deficit) at End of Year</i>	\$ 5,435,518	\$ 924,691	\$ 1,850,000	\$ 81,516	\$ 8,291,725

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, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	623,141
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	15,417	
Current Year Depreciation	(125,846)	(110,429)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	(31,334)	
Delinquent Property Taxes	17,532	(13,802)
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities.		
		(246,073)
 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		393,333
 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	(46,631)	
Vacation Benefits Payable	(22,655)	
Pension Obligation	16,423	(52,863)
 Change in Net Assets of Governmental Activities	 \$	 <u><u>593,307</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, 2005*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 2,972,922	\$ 2,989,417	\$ 3,045,070	\$ 55,653
Intergovernmental	2,492,451	3,082,269	2,707,469	(374,800)
Investment Income	100,000	189,714	189,714	0
Tuition and Fees	596,291	561,540	561,540	0
Charges for Services	141,150	89,129	89,129	0
Gifts and Donations	1,500	1,800	1,800	0
Miscellaneous	23,600	6,124	6,124	0
<i>Total Revenues</i>	<u>6,327,914</u>	<u>6,919,993</u>	<u>6,600,846</u>	<u>(319,147)</u>
Expenditures:				
Current:				
Instruction:				
Regular	360,900	354,659	346,815	7,844
Special	149,572	149,387	143,901	5,486
Vocational	2,903,740	3,121,967	2,807,634	314,333
Other	7,783	7,870	5,193	2,677
Support Services:				
Pupils	253,109	225,057	214,919	10,138
Instructional Staff	197,505	188,957	172,042	16,915
Board of Education	46,566	29,305	26,659	2,646
Administration	731,878	721,608	679,157	42,451
Fiscal	431,810	412,043	334,817	77,226
Operation and Maintenance of Plant	660,848	685,080	602,673	82,407
Pupil Transportation	46,504	46,504	30,167	16,337
Central	31,400	24,976	23,401	1,575
Extracurricular Activities	5,700	3,879	2,879	1,000
Capital Outlay	221,912	210,412	143,070	67,342
<i>Total Expenditures</i>	<u>6,049,227</u>	<u>6,181,704</u>	<u>5,533,327</u>	<u>648,377</u>
Excess of Revenues Over (Under) Expenditures	278,687	738,289	1,067,519	329,230
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	500	550	550	0
Refund of Prior Year Expenditures	100	748	748	0
Refund of Prior Year Receipts	(1,000)	(1,000)	0	1,000
Transfer In	52,000	52,000	111,243	59,243
Advances In	69,701	69,701	69,701	0
Transfers Out	(300,000)	(313,243)	(313,243)	0
Advances Out	(75,000)	(75,000)	0	75,000
<i>Total Other Financing Sources (Uses)</i>	<u>(253,699)</u>	<u>(266,244)</u>	<u>(131,001)</u>	<u>135,243</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	24,988	472,045	936,518	464,473
<i>Fund Balance (Deficit) at Beginning of Year</i>	4,707,474	4,707,474	4,707,474	0
Prior Year Encumbrances Appropriated	235,045	235,045	235,045	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 4,967,507</u>	<u>\$ 5,414,564</u>	<u>\$ 5,879,037</u>	<u>\$ 464,473</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, 2005*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 250,291	\$ 329,560	\$ 253,235	\$ (76,325)
Tuition and Fees	717,540	944,789	725,981	(218,808)
Rent	2,767	3,644	2,800	(844)
Miscellaneous	4,407	5,796	4,454	(1,342)
<i>Total Revenues</i>	<u>975,005</u>	<u>1,283,789</u>	<u>986,470</u>	<u>(297,319)</u>
Expenditures:				
Current:				
Instruction:				
Adult/Continuing	1,087,181	1,434,740	959,197	475,543
<i>Total Expenditures</i>	<u>1,087,181</u>	<u>1,434,740</u>	<u>959,197</u>	<u>475,543</u>
Excess of Revenues Over (Under) Expenditures	(112,176)	(150,951)	27,273	178,224
Other Financing Sources (Uses):				
Transfers In	0	0	50,000	50,000
Advances Out	0	0	(2,691)	(2,691)
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(112,176)	(150,951)	74,582	225,533
<i>Fund Balance (Deficit) at Beginning of Year</i>	567,779	567,779	567,779	0
Prior Year Encumbrances Appropriated	12,210	12,210	12,210	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 467,813</u>	<u>\$ 429,038</u>	<u>\$ 654,571</u>	<u>\$ 225,533</u>

See accompanying notes to basic financial statements.

Portage Lakes Career Center
Statement of Net Assets
Proprietary Fund
June 30, 2005

	Governmental Activities Internal Service Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 249,911
<i>Total Assets</i>	<u>249,911</u>
Liabilities	
Claims Payable	<u>91,863</u>
<i>Total Liabilities</i>	<u>91,863</u>
Net Assets	
Unrestricted	<u>158,048</u>
<i>Total Net Assets</i>	<u><u>\$ 158,048</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, 2005

	Governmental Activities Internal Service Fund
Operating Revenues:	
Charges for Services	\$ 903,635
Operating Expenses:	
Purchased Services	155,920
Claims	993,788
<i>Total Operating Expenses</i>	1,149,708
<i>Change in Net Assets</i>	(246,073)
<i>Net Assets (Deficit) Beginning of Year</i>	404,121
<i>Net Assets (Deficit) End of Year</i>	\$ 158,048

See accompanying notes to basic financial statements.

Portage Lakes Career Center
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2005

	Governmental Activities Internal Service Fund
Cash Flows From Operating Activities:	
Cash Received for Charges for Services	\$ 903,635
Cash Paid for Services	(155,920)
Cash Paid for Claims	(997,088)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<i>(249,373)</i>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<i>(249,373)</i>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<i>499,284</i>
<i>Cash and Cash Equivalents at End of Year</i>	<i>\$ 249,911</i>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ (246,073)
Adjustments:	
Increase (Decrease) in Liabilities	
Claims Payable	(3,300)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<i>\$ (249,373)</i>

See accompanying notes to basic financial statements.

Portage Lakes Career Center
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 72,008
<i>Total Assets</i>	<u>\$ 72,008</u>
Liabilities	
Accounts Payable	\$ 27,712
Due to Students	29,742
Undistributed Monies	<u>14,554</u>
<i>Total Liabilities</i>	<u>\$ 72,008</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, 2005

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 9 and 14 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. The most significant of the Career Center's accounting policies are described below.

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

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.

B. Fund Accounting

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

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

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

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

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 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.

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, 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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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.

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

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 2005, 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, 2005

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 2005 amounted to \$189,714 which includes \$70,103 assigned from other Career Center funds.

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

F. Capital Assets

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

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

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

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

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

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 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.

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

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 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.

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

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 2005.

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 – Changes in Accounting Principles and Fund Balance Restatement

A. Changes in Accounting Principles

For the year ended June 30, 2005, the Career Center has implemented GASB Statement No. 40 “*Deposit and Investment Risk Disclosures.*”, an amendment of GASB Statement No. 3. GASB Statement No. 40 addresses common deposit and investment risk related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. This statement is designed to inform financial statement users about deposit and investment risk that could affect a government’s ability to provide services and meet its obligations.

For fiscal year 2005, the Career Center has implemented GASB Technical Bulletin No. 2004-2, “*Recognition of Pension and Other Post Employment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*”. This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing, multiple-employer pension plan and other post employment plans. The implementation of GASB Technical Bulletin No. 2004-2 did not materially affect the financial statements of the Career Center.

Additionally, the Career Center changed methods of accounting for compensated absences from the vesting method to the termination method. This change had the following effect on net assets at June 30, 2004.

	Governmental Activities
Net Assets as previously reported	\$ 9,240,046
Restatement for change in method of accounting for compensated absences	349,737
Net Assets, restated at June 30, 2004	\$ 9,589,783

Portage Lakes Career Center
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B. Fund Balance Restatement

For 2005, the Career Center identified and reclassified additional adult education – long term program activity from other governmental funds to the adult education programs major fund. This reclassification had the following effect on the major and nonmajor funds of the Career Center as they were previously reported as of June 30, 2004:

	Adult Education Programs Fund	Other Governmental Funds
Fund Balance June 30, 2004	\$ 517,255	\$ 924,233
Fund Reclassification	365,899	(365,899)
Restated Fund Balance June 30, 2004	\$ 883,154	\$ 558,334

Note 4 - 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-long term programs fund.

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Net Change in Fund Balance

	General Fund	Adult Education- Programs
GAAP Basis	\$ 908,422	\$ 41,537
Net Adjustment for Revenue Accruals	(112,527)	38,621
Advance In	69,701	0
Net Adjustment for Expenditure Accruals	157,041	13,007
Adjustment for Encumbrances	(86,119)	(18,583)
Budget Basis	\$ 936,518	\$ 74,582

Note 5 - 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;

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

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

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 \$8,287,620 and the bank balance was \$8,325,049. Of the bank balance:

1. \$219,118 of the bank balance was covered by depository insurance; and

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2. \$8,105,931 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.

Investments

Investments are reported at fair value. As of June 30, 2005, the Career Center had the following investments:

	Fair Value	Maturity 0-12 Months
Repurchase Agreement	\$ 600,000	\$ 600,000
STAROhio	300,518	300,518
Total	\$ 900,518	\$ 900,518

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, 2005 included overnight repurchase account, certificate of deposits 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, 67% was in the Repurchase Agreement account and the remaining 33% was deposited in the STAROhio account.

Note 6 - Property Taxes

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

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

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property

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programs, and the current fiscal year guarantee of federal funds. Intergovernmental receivables consisted of \$6,564 in various funds for operating grants.

Note 8 - Capital Assets

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

	Balance 6/30/04	Additions	Reductions	Balance 6/30/05
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	1,514,879	15,417	0	1,530,296
Vehicles	23,483	0	0	23,483
Total Capital Assets, being depreciated	5,664,442	15,417	0	5,679,859
Less Accumulated Depreciation:				
Buildings	(1,856,736)	(68,598)	0	(1,925,334)
Furniture and Equipment	(1,230,554)	(55,139)	0	(1,285,693)
Vehicles	(15,656)	(2,109)	0	(17,765)
Total Accumulated Depreciation	(3,102,946)	(125,846)	0	(3,228,792)
Total Capital Assets being depreciated, net	2,561,496	(110,429)	0	2,451,067
Governmental Activities Capital Assets, Net	<u>\$ 2,708,996</u>	<u>\$ (110,429)</u>	<u>\$ 0</u>	<u>\$ 2,598,567</u>

Depreciation expense was charged to governmental functions as follows:

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Governmental Activities:

Instruction:		
Regular	\$	25,628
Vocational		72,255
Adult/Continuing		4,682
Support Services:		
Pupil		754
Instructional Staff		3,229
Administration		6,809
Fiscal		4,913
Operation and Maintenance of Plant		7,431
Operation of Non-Instructional Services		<u>145</u>
Total Depreciation	\$	<u><u>125,846</u></u>

Note 9 - 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.

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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, 2005, 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 \$91,863 reported in the internal service fund at June 30, 2005 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 2005 were:

		<u>Balance at</u> <u>Beginning of Year</u>		<u>Current Year</u> <u>Claims</u>		<u>Claim</u> <u>Payments</u>		<u>Balance at</u> <u>End of Year</u>
2005	\$	95,163	\$	993,788	\$	997,088	\$	91,863
2004	\$	49,656	\$	600,998	\$	555,491	\$	95,163

Note 10– 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 11- 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.

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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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 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, 2005, 2004 and 2003 were \$106,371, \$100,041 and \$98,529 respectively; 85% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003.

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, 2005, 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, 2005, 2004, and 2003 were \$447,376, \$451,441, and \$415,399 respectively; 84% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were

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\$6,417 made by the Career Center and \$6,702 made by the plan members. \$72,606 represents the unpaid contribution for fiscal year 2005, 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.

Note 12 - 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, 2005, 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 \$31,955 during the 2005 fiscal year.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, 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 2005 fiscal year equaled \$41,433.

The surcharge, added to the unallocated portion of the 14 percent 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

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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.

Note 13 - Long - Term Obligations

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

	Restated Outstanding 6/30/04	Additions	Reductions	Outstanding 6/30/05	Amounts Due in One Year
Governmental Activities:					
Loans Payable:					
Improvement Note					
Due 7/15/13 3.75%	\$ 360,000	\$ 0	\$ 360,000	\$ 0	\$ 0
Vocational School Building Assistance					
Due 6/24/19 0%	500,000	0	33,333	466,667	33,333
Total Loans Payable	<u>860,000</u>	<u>0</u>	<u>393,333</u>	<u>466,667</u>	<u>33,333</u>
Compensated Absences	<u>431,737</u>	<u>82,166</u>	<u>35,535</u>	<u>478,368</u>	<u>76,055</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 1,291,737</u>	<u>\$ 82,166</u>	<u>\$ 428,868</u>	<u>\$ 945,035</u>	<u>\$ 109,388</u>

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

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Principal and interest requirements to retire loans outstanding at June 30, 2005 are as follows:

Fiscal Year Ending June 30,	Loans		
	Principal	Interest	Total
2006	\$ 33,333	\$ 0	\$ 33,333
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 - 2015	166,665	0	166,665
2016 - 2019	133,337	0	133,337
Totals	\$466,667	\$ 0	\$ 466,667

Note 14 - 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, 2005, the Career Center paid approximately \$4,827 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 2005 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.

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Note 15 – 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, 2005.

Note 16 - Interfund Transfers

Transfers made during fiscal year 2005 were as follows:

<u>Funds</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 0	\$ 202,000
Adult Education Programs	50,000	0
Replacement Fund	150,000	0
Other Nonmajor Governmental Funds	2,000	0
Total	<u>\$ 202,000</u>	<u>\$ 202,000</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 17 - Interfund Balances

Interfund balances at June 30, 2005 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-full service grant fund. As of June 30, 2005, all interfund payables outstanding are anticipated to be repaid in fiscal year 2006.

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Note 18 – Operating Lease

The Career Center leases copiers under a non-cancelable operating lease. The following is a schedule of future minimum rental payments required under the above operating lease as of June 30, 2005:

<u>June 30,</u>	<u>Amount</u>
2006	\$ 4,678
2007	780
	<u>\$ 5,458</u>

Rental expense amounted to \$4,678 for the year ended June 30, 2005.

Note 19 - 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.

	<u>Budget Stabilization</u>	<u>Capital Improvement</u>	<u>Textbooks Instructional Materials</u>
Set-Aside Cash Balance as of June 30, 2004	\$ 132,016	\$ 0	\$ 13,782
Current Year Set-Aside Requirement	0	57,124	57,124
Qualifying Disbursements	0	(132,140)	(134,221)
Total	<u>\$ 132,016</u>	<u>\$ (75,016)</u>	<u>\$ (63,315)</u>
Cash Balance Carried Forward FY 2006	<u>\$ 132,016</u>	<u>\$ 0</u>	<u>\$ 0</u>
Balance Carried Forward FY 2005	<u>\$ 132,016</u>	<u>\$ 0</u>	<u>\$ (63,315)</u>

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

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

the set-asides at the end of the fiscal year was \$132,016. Of the \$132,016, \$38,707 represents BWC refunds which is reported as a reserve fund balance. The remaining amount of \$93,309 is reported as a designated for budget stabilization.

Note 20 – State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed “the Ohio General Assembly to enact a school funding scheme that is thorough and efficient”.

The Career Center is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

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

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Direct</i>				
Student Financial Aid Cluster:				
Federal Pell Grant Program	N/A	84.063	\$ 145,139	\$ 145,139
Federal Pell Grant Program Admin Allowance	N/A	84.063	<u>675</u>	<u>675</u>
Total Federal Pell Grant Program			145,814	145,814
Federal Family Education Loans	N/A	84.032	<u>345,222</u>	<u>345,222</u>
Total Student Financial Aid Cluster			491,036	491,036
<i>Passed through Ohio Department of Education</i>				
Vocational Education - Basic Grants to States	2DC1-2004 2DC1-2005	84.048	31,335 <u>220,647</u>	31,335 <u>215,020</u>
Total Vocational Education - Basic Grants to States			251,982	246,355
State Grants for Innovative Programs	C2-S1-2004 C2-S1-2005	84.298	2,640 <u>2,396</u>	2,640 <u>847</u>
Total State Grants for Innovative Programs			5,036	3,487
Improving Teacher Quality - State Grants	2004 2005	84.367	2,482 <u>2,906</u>	2,482 <u>2,899</u>
Total Improving Teacher Quality - State Grants			5,388	5,381
Safe and Drug-Free Schools and Communities - State Grants	DR-S1-2004 DR-S1-2005	84.186	590 <u>1,331</u>	590 <u>430</u>
Total Safe and Drug-Free Schools and Communities - State Grants			1,921	1,020
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>755,363</u>	<u>747,279</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>				
<i>Direct</i>				
Air Force R.O.T.C. Grant	N/A	12.XXX	45,809	45,809
Air Force R.O.T.C. Logistical Grant		12.XXX	<u>14,508</u>	<u>17,022</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>60,317</u>	<u>62,831</u>
Total			<u>\$ 815,680</u>	<u>\$ 810,110</u>

The accompanying notes are an integral part of this schedule.

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Portage Lakes Career Center, Summit County, Ohio, (the Career Center) as of and for the year ended June 30, 2005, which collectively comprise the Career Center's basic financial statements and have issued our report thereon dated March 17, 2006 in which we noted the Career Center changed methods of accounting for compensated absences and reclassified a fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Career Center's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Career Center's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Career Center's management dated March 17, 2006, we reported other matters involving internal control over financial reporting which we did not deem to be reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Career Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*. In a separate letter to the Career Center's management dated March 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

March 17, 2006



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Portage Lakes Career Center, Summit County, Ohio, (the Career Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying Schedule of Findings identifies the Career Center's major federal program. The Career Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Career Center's compliance based on our audit.

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

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

In a separate letter to the Career Center's management dated March 17, 2006, we reported matters related to federal noncompliance not included in this report.

Internal Control Over Compliance

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

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

However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the Career Center's management in a separate letter dated March 17, 2006.

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



Betty Montgomery
Auditor of State

March 17, 2006

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2005-001

Reportable Condition

Service Organization - Health Insurance Processing Assurances

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

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

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

Management Response: The Career Center contacted the health insurance third-party administrator in an effort to obtain a Type Two SAS 70 report. The third-party administrator was not willing to obtain this report. This and other factors led to the Career Center switching third-party administrators for health insurance effective January 1, 2006.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	One of the Career Center's service organizations did not obtain a Type 2 SAS 70 report.	No	Repeated as item 2005-001



**Auditor of State
Betty Montgomery**

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PORTAGE LAKES CAREER CENTER

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 30, 2006**