



**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 general purpose financial statements of Portage Lakes Career Center, Summit County, Ohio, (the "Center") as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Portage Lakes Career Center, Summit County, Ohio, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2003 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general purpose 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

November 21, 2003

**Portage Lakes Career Center
Combined Balance Sheet – All Fund Types and Account Groups
June 30, 2003**

| | Governmental Fund Types | | | | Proprietary | | Fiduciary | | Account Groups | | | |
|---|-------------------------|------------------|-----------------|--------------------|------------------|-----------------|-----------------------------|------------------|---------------------|-----------------------|--------------------------|-----------|
| | General | Special Revenue | Debt Service | Capital Projects | Internal Service | Fund Type | Expendable Trust and Agency | General | Fixed Assets | Long-Term Obligations | Totals (Memorandum Only) | |
| | | | | | | | | | | | | Fund Type |
| ASSETS AND OTHER DEBITS: | | | | | | | | | | | | |
| Assets: | | | | | | | | | | | | |
| Equity in Pooled Cash and Investments | \$3,687,163 | \$754,682 | \$48,185 | \$1,550,000 | \$460,296 | \$69,001 | \$- | \$- | | | \$6,569,327 | |
| Receivables | | | | | | | | | | | | |
| Taxes | 3,050,204 | - | - | - | - | - | - | - | - | - | 3,050,204 | |
| Accounts | 28,443 | 87 | - | - | - | 64 | - | - | - | - | 28,594 | |
| Intergovernmental | 7,125 | 32,978 | - | - | - | 20,255 | - | - | - | - | 60,358 | |
| Interfund | 41,523 | - | - | - | - | - | - | - | - | - | 41,523 | |
| Materials and Supplies | | | | | | | | | | | | |
| Inventory | 14,221 | - | - | - | - | - | - | - | - | - | 14,221 | |
| Prepaid Items | 15,407 | - | - | - | - | - | - | - | - | - | 15,407 | |
| Restricted Assets: | | | | | | | | | | | | |
| Equity in Pooled Cash and Investments | 283,475 | - | - | - | - | - | - | - | - | - | 283,475 | |
| Fixed Assets | - | - | - | - | - | - | 6,981,080 | - | - | - | 6,981,080 | |
| Other Debits: | | | | | | | | | | | | |
| Amount Available for Debt Service | - | - | - | - | - | - | - | - | 48,185 | - | 48,185 | |
| Amount to be Provided for Retirement of General Long-Term Obligations | - | - | - | - | - | - | - | - | 663,815 | - | 663,815 | |
| Total Assets and Other Debits (Continued) | \$7,127,561 | \$787,747 | \$48,185 | \$1,550,000 | \$460,296 | \$89,320 | \$6,981,080 | \$712,000 | \$17,756,189 | | | |

The accompanying notes are an integral part of these statements.

**Portage Lakes Career Center
Combined Balance Sheet – All Fund Types and Account Groups
June 30, 2003**

| | Governmental Fund Types | | | Fund Type | | Fund Types | | | Account Groups | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|-----------------|---------------------|---------------------|-----------------------------------|----------------------------|-------------------------------------|----------------|----------|----------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Internal Service | Expendable Trust and Agency | General Fixed Assets | General Long-Term Obligations | General | | | |
| LIABILITIES, FUND EQUITY AND OTHER CREDITS: | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | |
| Accounts Payable | \$20,271 | \$4,741 | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$25,012 |
| Accrued Wages and Benefits | 581,973 | 33,495 | - | - | - | - | - | - | - | - | - | 615,468 |
| Compensated Absences | - | - | - | - | - | - | - | - | 666,000 | - | - | 666,000 |
| Intergovernmental Payable | 71,529 | 2,590 | - | - | - | - | - | - | - | - | - | 74,119 |
| Interfund Payable | - | 39,523 | - | - | - | 2,000 | - | - | - | - | - | 41,523 |
| Due to Students | - | - | - | - | - | 54,756 | - | - | - | - | - | 54,756 |
| Deferred Revenue | 2,823,662 | - | - | - | - | 6,830 | - | - | - | - | - | 2,830,492 |
| Claims Payable | - | - | - | - | 49,656 | - | - | - | - | - | - | 49,656 |
| Bonds Payable | - | - | - | - | - | - | - | - | 46,000 | - | - | 46,000 |
| Total Liabilities (Continued) | 3,497,435 | 80,349 | - | - | 49,656 | 63,586 | - | 712,000 | - | - | - | 4,403,026 |

The accompanying notes are an integral part of these statements.

**Portage Lakes Career Center
Combined Balance Sheet – All Fund Types and Account Groups
June 30, 2003**

| | Governmental Fund Types | | | | Fund Type | | | Fund Types | | | Account Groups | | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|-----------------|---------------------|---------------------|-----------------------------------|----------------------------|-------------------------------------|-----------|-------------|----------------|-------------|--------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Internal Service | Expendable Trust and Agency | General Fixed Assets | General Long-Term Obligations | General | Fixed | Assets | Obligations | Only | |
| Fund Equity and Other Credits: | | | | | | | | | | | | | | |
| Investment in General Fixed Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | 6,981,080 |
| Retained Earnings - Unreserved | - | - | - | - | 410,640 | - | - | - | - | - | - | - | - | 410,640 |
| Fund Balances | | | | | | | | | | | | | | |
| Reserved for Property Taxes | 226,542 | - | - | - | - | - | - | - | - | - | - | - | - | 226,542 |
| Reserved for Encumbrances | 20,466 | 12,626 | - | - | - | 2,480 | - | - | - | - | - | - | - | 35,572 |
| Reserved for Inventory | 14,221 | - | - | - | - | - | - | - | - | - | - | - | - | 14,221 |
| Reserved for Prepaid Items | 15,407 | - | - | - | - | - | - | - | - | - | - | - | - | 15,407 |
| Reserved for Capital Improvements | 76,172 | - | - | - | - | - | - | - | - | - | - | - | - | 76,172 |
| Reserved for Textbooks & Instructional Items | 75,287 | - | - | - | - | - | - | - | - | - | - | - | - | 75,287 |
| Reserved for Bureau of Worker's Compensation | 38,707 | - | - | - | - | - | - | - | - | - | - | - | - | 38,707 |
| Designated for Budget Stabilization | 93,309 | - | - | - | - | - | - | - | - | - | - | - | - | 93,309 |
| Unreserved - Undesignated | 3,070,015 | 694,772 | 48,185 | 1,550,000 | - | 23,254 | - | - | - | - | - | - | - | 5,386,226 |
| Total Fund Equity and Other Credits | 3,630,126 | 707,398 | 48,185 | 1,550,000 | 410,640 | 25,734 | 6,981,080 | - | - | - | - | - | - | 13,353,163 |
| Total Liabilities, Fund Equity and Other Credits | \$7,127,561 | \$787,747 | \$48,185 | \$1,550,000 | \$460,296 | \$89,320 | \$6,981,080 | \$712,000 | \$712,000 | \$6,981,080 | \$712,000 | \$712,000 | \$17,756,189 | |

The accompanying notes are an integral part of these statements.

**Portage Lakes Career Center
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2003**

| | Governmental Fund Types | | | | Fiduciary | Totals (Memorandum Only) |
|--|-------------------------|------------------|---------------|----------|---------------------|--------------------------------|
| | General | Special | Debt | Capital | Fund Type | |
| | | Revenue | Service | Projects | Expendable Trust | |
| REVENUE: | | | | | | |
| Taxes | \$2,995,460 | \$- | \$- | \$- | \$- | \$2,995,460 |
| Tuition and Fees | 449,987 | 622,364 | - | - | - | 1,072,351 |
| Intergovernmental | 2,674,424 | 558,761 | - | - | 18,863 | 3,252,048 |
| Interest | 96,152 | - | - | - | - | 96,152 |
| Extracurricular Activities | - | 6,809 | - | - | - | 6,809 |
| Other | 176,694 | 17,101 | - | - | - | 193,795 |
| Classroom Materials & Fees | 43,720 | - | - | - | - | 43,720 |
| Total Revenues | 6,436,437 | 1,205,035 | - | - | 18,863 | 7,660,335 |
| EXPENDITURES: | | | | | | |
| Current | | | | | | |
| Instruction | | | | | | |
| Regular | 311,277 | - | - | - | - | 311,277 |
| Special | 129,025 | - | - | - | 12,445 | 141,470 |
| Vocational | 2,661,421 | 27,535 | - | - | - | 2,688,956 |
| Adult/Continuing | - | 860,482 | - | - | - | 860,482 |
| Other | 96,383 | - | - | - | - | 96,383 |
| Support Services | | | | | | |
| Pupil | 207,171 | 88,834 | - | - | - | 296,005 |
| Instructional Staff | 129,588 | 55,996 | - | - | - | 185,584 |
| Board of Education | 27,475 | - | - | - | - | 27,475 |
| Administration | 694,497 | 10,141 | - | - | - | 704,638 |
| Fiscal | 360,136 | 7,129 | - | - | - | 367,265 |
| Operation and Maintenance of Plant | 551,157 | - | - | - | - | 551,157 |
| Pupil Transportation | 28,323 | - | - | - | - | 28,323 |
| Central | 21,859 | - | - | - | - | 21,859 |
| Extracurricular Activities | 3,161 | 9,031 | - | - | - | 12,192 |
| Facilities Acquisition and Construction Services | 1,312 | - | - | - | - | 1,312 |
| Debt Service | | | | | | |
| Principal and Interest Retirement | - | - | 54,560 | - | - | 54,560 |
| Total Expenditures | 5,222,785 | 1,059,148 | 54,560 | - | 12,445 | 6,348,938 |
| Revenues Over (Under) Expenditures | 1,213,652 | 145,887 | (54,560) | - | 6,418 | 1,311,397 |

(Continued)

The accompanying notes are an integral part of these statements.

**Portage Lakes Career Center
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2003**

| | Governmental Fund Types | | | | Fiduciary Fund Type | Totals (Memorandum Only) |
|--|---------------------------|-------------------------|------------------------|---------------------------|------------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust | |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Operating Transfers - In | \$266,467 | \$56,130 | \$48,185 | \$150,000 | \$- | \$520,782 |
| Operating Transfers - Out | (520,782) | - | - | - | - | (520,782) |
| Sale of Fixed Assets | 3,184 | - | - | - | - | 3,184 |
| Refund of Prior Year's Expense | 732 | 160 | - | - | - | 892 |
| Total Other Financing Sources (Uses) | <u>(250,399)</u> | <u>56,290</u> | <u>48,185</u> | <u>150,000</u> | <u>-</u> | <u>4,076</u> |
| Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 963,253 | 202,177 | (6,375) | 150,000 | 6,418 | 1,315,473 |
| Fund Balances at Beginning of Year | 2,669,735 | 505,221 | 54,560 | 1,400,000 | 19,316 | 4,648,832 |
| Decrease in Reserve for Inventory | <u>(2,862)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,862)</u> |
| Fund Balances at End of Year | <u><u>\$3,630,126</u></u> | <u><u>\$707,398</u></u> | <u><u>\$48,185</u></u> | <u><u>\$1,550,000</u></u> | <u><u>\$25,734</u></u> | <u><u>\$5,961,443</u></u> |

The accompanying notes are an integral part of these statements.

Portage Lakes Career Center
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances – Budget Basis and Actual
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2003

| | General Fund | | |
|--|---------------------|---------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | |
| Taxes | \$ 2,797,343 | \$ 2,846,881 | \$ 49,538 |
| Tuition and Fees | 459,674 | 449,987 | (9,687) |
| Intergovernmental | 2,724,695 | 2,667,274 | (57,421) |
| Interest | 148,659 | 96,204 | (52,455) |
| Extracurricular Activities | - | - | - |
| Classroom Materials & Fees | 69,513 | 44,985 | (24,528) |
| Other | 237,828 | 153,910 | (83,918) |
| Total Revenues | <u>6,437,712</u> | <u>6,259,241</u> | <u>\$ (178,471)</u> |
| EXPENDITURES: | | | |
| Current | | | |
| Instruction | | | |
| Regular | 322,464 | 317,218 | 5,246 |
| Special | 143,951 | 133,310 | 10,641 |
| Vocational | 3,196,661 | 2,692,303 | 504,358 |
| Adult Continuing | - | - | - |
| Other | 98,128 | 96,712 | 1,416 |
| Support Services | | | |
| Pupil | 235,365 | 210,823 | 24,542 |
| Instructional Staff | 148,746 | 123,568 | 25,178 |
| Board of Education | 44,569 | 27,933 | 16,636 |
| Administration | 818,172 | 712,001 | 106,171 |
| Fiscal | 386,988 | 365,577 | 21,411 |
| Operation and Maintenance of Plant | 606,208 | 569,375 | 36,833 |
| Pupil Transportation | 40,500 | 29,773 | 10,727 |
| Central | 27,501 | 24,774 | 2,727 |
| Extracurricular Activities | 5,500 | 3,162 | 2,338 |
| Facilities Acquisition and Construction Services | 54,952 | 1,313 | 53,639 |
| Debt Service | | | |
| Principal Retirement and Interest | - | - | - |
| Total Expenditures | <u>6,129,705</u> | <u>5,307,842</u> | <u>821,863</u> |
| Revenues Over Expenditures | <u>308,007</u> | <u>951,399</u> | <u>643,392</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Sale of Fixed Assets | - | 3,184 | 3,184 |
| Advances - In | 76,355 | 76,355 | - |
| Advances - Out | (50,000) | (41,523) | 8,477 |
| Refund of Prior Year Expenditures | - | 732 | 732 |
| Operating Transfers - In | 50,000 | 266,467 | 216,467 |
| Operating Transfers - Out | (525,370) | (520,782) | 4,588 |
| Total Other Financing Sources (Uses) | <u>(449,015)</u> | <u>(215,567)</u> | <u>233,448</u> |
| Revenues and Other Financing | | | |
| Sources Over (Under) Expenditures and | | | |
| Other Financing Uses | (141,008) | 735,832 | 876,840 |
| Fund Balances at Beginning of Year | 3,120,371 | 3,120,371 | - |
| Prior Year Encumbrances | 82,951 | 82,951 | - |
| Fund Balances at End of Year | <u>\$ 3,062,314</u> | <u>\$ 3,939,154</u> | <u>\$ 876,840</u> |

The accompanying notes are an integral part of these statements.

| Special Revenue Funds | | | Debt Service Funds | | |
|-----------------------|-------------------|----------------------------------|--------------------|----------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 613,815 | 627,350 | 13,535 | - | - | - |
| 574,500 | 570,290 | (4,210) | - | - | - |
| - | - | - | - | - | - |
| 7,680 | 6,809 | (871) | - | - | - |
| - | - | - | - | - | - |
| 22,820 | 18,259 | (4,561) | - | - | - |
| <u>1,218,815</u> | <u>1,222,708</u> | <u>3,893</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 46,452 | 44,617 | 1,835 | - | - | - |
| 990,275 | 867,186 | 123,089 | - | - | - |
| - | - | - | - | - | - |
| 89,765 | 89,765 | - | - | - | - |
| 65,638 | 63,558 | 2,080 | - | - | - |
| - | - | - | - | - | - |
| 10,115 | 10,115 | - | - | - | - |
| 8,605 | 7,101 | 1,504 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 13,708 | 9,479 | 4,229 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 102,745 | 102,745 | - |
| <u>1,224,558</u> | <u>1,091,821</u> | <u>132,737</u> | <u>102,745</u> | <u>102,745</u> | <u>-</u> |
| (5,743) | 130,887 | 136,630 | (102,745) | (102,745) | - |
| - | - | - | - | - | - |
| 38,103 | 39,523 | 1,420 | - | - | - |
| (76,355) | (76,355) | - | - | - | - |
| - | 160 | 160 | - | - | - |
| 60,631 | 56,130 | (4,501) | 48,185 | 48,185 | - |
| - | - | - | - | - | - |
| <u>22,379</u> | <u>19,458</u> | <u>(2,921)</u> | <u>48,185</u> | <u>48,185</u> | <u>-</u> |
| 16,636 | 150,345 | 133,709 | (54,560) | (54,560) | - |
| 558,543 | 558,543 | - | - | - | - |
| 31,438 | 31,438 | - | 54,560 | 54,560 | - |
| <u>\$ 606,617</u> | <u>\$ 740,326</u> | <u>\$ 133,709</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

(Continued)

Portage Lakes Career Center
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances – Budget Basis and Actual
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2003

| | Capital Projects Fund | | |
|--|-----------------------|---------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | |
| Taxes | \$ - | \$ - | \$ - |
| Tuition and Fees | - | - | - |
| Intergovernmental | - | - | - |
| Interest | - | - | - |
| Extracurricular Activities | - | - | - |
| Classroom Materials & Fees | - | - | - |
| Other | - | - | - |
| Total Revenues | - | - | - |
| EXPENDITURES: | | | |
| Current | | | |
| Instruction | | | |
| Regular | - | - | - |
| Special | - | - | - |
| Vocational | - | - | - |
| Adult Continuing | - | - | - |
| Other | - | - | - |
| Support Services | | | |
| Pupil | - | - | - |
| Instructional Staff | - | - | - |
| Board of Education | - | - | - |
| Administration | - | - | - |
| Fiscal | - | - | - |
| Operation and Maintenance of Plant | 400,000 | - | 400,000 |
| Pupil Transportation | - | - | - |
| Central | - | - | - |
| Extracurricular Activities | - | - | - |
| Facilities Acquisition and Construction Services | - | - | - |
| Debt Service | | | |
| Principal Retirement and Interest | - | - | - |
| Total Expenditures | 400,000 | - | 400,000 |
| Revenues Over (Under) Expenditures | (400,000) | - | 400,000 |
| OTHER FINANCING SOURCES (USES): | | | |
| Sale of Fixed Assets | - | - | - |
| Advances - In | - | - | - |
| Advances - Out | - | - | - |
| Refund of Prior Year Expenditures | - | - | - |
| Operating Transfers - In | 200,000 | 150,000 | (50,000) |
| Operating Transfers - Out | - | - | - |
| Total Other Financing Sources (Uses) | 200,000 | 150,000 | (50,000) |
| Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (200,000) | 150,000 | 350,000 |
| Fund Balances at Beginning of Year | 1,400,000 | 1,400,000 | - |
| Prior Year Encumbrances | - | - | - |
| Fund Balance at End of Year | \$ 1,200,000 | \$ 1,550,000 | \$ 350,000 |

The accompanying notes are an integral part of these statements.

| Expendable Trust Fund | | | Totals (Memorandum Only) | | |
|-----------------------|------------------|----------------------------------|--------------------------|---------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$ - | \$ - | \$ - | \$ 2,797,343 | \$ 2,846,881 | \$ 49,538 |
| - | - | - | 1,073,489 | 1,077,337 | 3,848 |
| 10,000 | 20,875 | 10,875 | 3,309,195 | 3,258,439 | (50,756) |
| - | - | - | 148,659 | 96,204 | (52,455) |
| - | - | - | 7,680 | 6,809 | (871) |
| - | - | - | 69,513 | 44,985 | (24,528) |
| - | - | - | 260,648 | 172,169 | (88,479) |
| <u>10,000</u> | <u>20,875</u> | <u>10,875</u> | <u>7,666,527</u> | <u>7,502,824</u> | <u>(163,703)</u> |
| - | - | - | 322,464 | 317,218 | 5,246 |
| - | - | - | 143,951 | 133,310 | 10,641 |
| 20,950 | 14,925 | 6,025 | 3,264,063 | 2,751,845 | 512,218 |
| - | - | - | 990,275 | 867,186 | 123,089 |
| - | - | - | 98,128 | 96,712 | 1,416 |
| - | - | - | 325,130 | 300,588 | 24,542 |
| - | - | - | 214,384 | 187,126 | 27,258 |
| - | - | - | 44,569 | 27,933 | 16,636 |
| - | - | - | 828,287 | 722,116 | 106,171 |
| - | - | - | 395,593 | 372,678 | 22,915 |
| - | - | - | 1,006,208 | 569,375 | 436,833 |
| - | - | - | 40,500 | 29,773 | 10,727 |
| - | - | - | 27,501 | 24,774 | 2,727 |
| - | - | - | 19,208 | 12,641 | 6,567 |
| - | - | - | 54,952 | 1,313 | 53,639 |
| - | - | - | <u>102,745</u> | <u>102,745</u> | <u>-</u> |
| <u>20,950</u> | <u>14,925</u> | <u>6,025</u> | <u>7,877,958</u> | <u>6,517,333</u> | <u>1,360,625</u> |
| <u>(10,950)</u> | <u>5,950</u> | <u>16,900</u> | <u>(211,431)</u> | <u>985,491</u> | <u>1,196,922</u> |
| - | - | - | - | 3,184 | 3,184 |
| - | - | - | 114,458 | 115,878 | 1,420 |
| - | - | - | (126,355) | (117,878) | 8,477 |
| - | - | - | - | 892 | 892 |
| - | - | - | 358,816 | 520,782 | 161,966 |
| - | - | - | (525,370) | (520,782) | 4,588 |
| - | - | - | <u>(178,451)</u> | <u>2,076</u> | <u>180,527</u> |
| (10,950) | 5,950 | 16,900 | (389,882) | 987,567 | 1,377,449 |
| 16,804 | 16,804 | - | 5,095,718 | 5,095,718 | - |
| 500 | 500 | - | 169,449 | 169,449 | - |
| <u>\$ 6,354</u> | <u>\$ 23,254</u> | <u>\$ 16,900</u> | <u>\$ 4,875,285</u> | <u>\$ 6,252,734</u> | <u>\$ 1,377,449</u> |

**Portage Lakes Career Center
 Combined Statement of Revenues, Expenditures, and Changes in
 Retained Earnings – Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2003**

| | <u>Internal Service</u> |
|---|-----------------------------|
| OPERATING REVENUES: | |
| Charges for Services | <u>\$763.965</u> |
| OPERATING EXPENSES: | |
| Claims | <u>802.383</u> |
| NON-OPERATING REVENUES: | |
| Refund of Prior Year Expenditures | <u>44.152</u> |
| Net Income | 5,734 |
| Retained Earnings at Beginning of Year | <u>404.906</u> |
| Retained Earnings at End of Year | <u><u>\$410.640</u></u> |

The accompanying notes are an integral part of these statements.

Portage Lakes Career Center
Combined Statement of Revenues, Expenditures, and Changes
In Fund Equity – Budget Basis and Actual
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003

| | <u>Internal Service Funds</u> | | |
|------------------------------------|-------------------------------|--------------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
| REVENUES | | | |
| Charges for Services | <u>\$ 730,849</u> | <u>\$ 763,965</u> | <u>\$ 33,116</u> |
| EXPENDITURES: | | | |
| Refund of Prior Years Expenditures | (44,152) | (44,152) | - |
| Claims | <u>820,500</u> | <u>799,381</u> | <u>21,119</u> |
| Revenues Over (Under) Expenditures | (45,499) | 8,736 | 54,235 |
| Fund Equity at Beginning of Year | 451,560 | 451,560 | - |
| Prior Year Encumbrances | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Equity at End of Year | <u><u>\$ 406,061</u></u> | <u><u>\$ 460,296</u></u> | <u><u>\$ 54,235</u></u> |

The accompanying notes are an integral part of these statements.

**Portage Lakes Career Center
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2003**

| | <u>Internal Service Funds</u> |
|---|---------------------------------------|
| Cash flows from operating activities: | |
| Net income | \$ 5,734 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities | |
| Change in assets and liabilities that increase (decrease) cash flow from operations | |
| Accounts receivable | 1,520 |
| Claims payable | <u>1,482</u> |
| Net cash provided by operating activities | <u>8,736</u> |
| Net increase in cash and cash equivalents | 8,736 |
| Cash and cash equivalents at beginning of year | <u>451,560</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 460,296</u></u> |

The accompanying notes are an integral part of these statements.

**PORTAGE LAKES CAREER CENTER
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

1. Description of the Entity

The Portage Lakes Career Center (Career Center) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Portage Lakes Career Center is a vocational district as defined by Section 3311.18 of the Ohio Revised Code. The Career Center operates under an appointed Board of Education (9 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2002 was 601. The Career Center employed 49 certificated employees and 18 non-certificated employees.

Management believes the financial statements included in this report represent all of the funds of the Career Center over which it has the ability to exercise direct operating control.

The Career Center provides more than instruction to its students. These additional services include student guidance, extracurricular activities, educational media, and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education through the budgetary process. These Career Center operations form the oversight unit and will be included as part of the reporting entity.

The Career Center is associated with certain organizations which are defined as Jointly Governed Organizations. These organizations include the Northeast Ohio Network for Educational Technology, the Interval Opportunity School and the Ohio School Boards Association Workers' Compensation Group Rating Program. (See Notes D and H.)

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

2. Basis of Presentation - Fund Accounting

The Career Center uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Career Center functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the Career Center are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the Career Center are financed. The acquisition, use and balances of the Career Center's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the Career Center's governmental fund types:

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

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Fund Type:

Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting and Other Governmental Entities that use Proprietary Fund Accounting," the Career Center has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to its proprietary activities.

Proprietary funds are used to account for the Career Center's ongoing activities which are similar to those found in the private sector. The following is the Career Center's proprietary fund type:

Internal Service Fund - This fund accounts for the financing of services provided by one department or agency to another department or agency of the Career Center on a cost-reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the Career Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

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General Fixed Assets Account Group - This account group is established to account for all fixed assets of the Career Center other than those accounted for in the proprietary fund.

General Long-Term Obligations - This account group is established to account for all long-term obligations of the Career Center except those accounted for in the proprietary fund.

3. Measurement Focus And Basis Of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the Career Center is 60 days after year end. In applying the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements.

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Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The Career Center reports deferred revenues on its combined balance sheet. Deferred revenues arise in the governmental funds when potential revenue does not meet with the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2003, and delinquent property taxes that are intended to finance fiscal year 2004 operations, have been recorded as deferred revenue as more fully described in Note C.

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 fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable is recognized as revenue at year end.

4. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the

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legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modification at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for rate determination.

Estimated Resources:

Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the Career Center must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year.

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Career Center Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2003.

Appropriations:

By October 1, the annual Appropriation Resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual Appropriation Resolution, the Board may pass a temporary resolution to meet the

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ordinary expenses of the Career Center. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental fund appropriations were legally enacted, however, the amount of the increases were not significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the budget basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balances for subsequent year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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

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 basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget Basis and Actual - All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund

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Equity - Budget Basis and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are reported when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure for proprietary fund types (GAAP basis).

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The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types and Similar Trust Funds**

| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Expendable Trust</u> |
|---|------------------|----------------------------|-------------------------|-----------------------------|-----------------------------|
| GAAP Basis | \$963,253 | \$202,177 | \$ (6,375) | \$ 150,000 | \$ 6,418 |
| Net Adjustment for Revenue Accruals | (177,196) | 17,673 | 0 | 0 | 2,012 |
| Net Adjustment for Expenditure Accruals | (85,057) | (32,673) | (48,185) | 0 | (2,480) |
| Advances - In | 76,355 | 39,523 | 0 | 0 | 0 |
| Advances - Out | (41,523) | (76,355) | 0 | 0 | 0 |
| Budget Basis | <u>\$735,832</u> | <u>\$150,345</u> | <u>\$ (54,560)</u> | <u>\$ 150,000</u> | <u>\$ 5,950</u> |

**Net Income Revenue Over Expenses
Proprietary Fund Type**

| | <u>Internal Service</u> |
|-------------------------------------|-----------------------------|
| GAAP Basis | \$ 5,734 |
| Net Adjustment for Revenue Accruals | 0 |
| Net Adjustment for Expense Accruals | 3,002 |
| Budget Basis | <u>\$ 8,736</u> |

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June 30, 2003

5. Equity in Pooled Cash and Investments

The Career Center maintains a cash and investment pool used by all funds.

The amounts of this pooled investment are reflected on the Combined Balance Sheet as Equity in Pooled Cash and Cash Equivalents. For the purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments of the cash management pool and investments with maturities of three months or less at the time they are purchased by the Career Center are considered to be cash equivalents.

Legal Requirements:

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's 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 Career Center has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as 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 the Career Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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Interim monies can 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, included but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days 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 rating classifications by at least nationally recognized rating agencies.

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

During fiscal year 2003, the Career Center's investments were limited to certificates of deposit and a repurchase agreement. During the fiscal year, all investments of the Career Center had a maturity of two years or less.

Under existing Ohio statutes all investment earnings unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$96,152, which includes \$38,374 assigned from other Career Center funds.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits:

At year end, the carrying amount of the Career Center's cash deposits was \$5,952,802 and the bank balance was \$5,955,569. Of the bank's balance:

1. \$300,000 was covered by the federal depository insurance.
2. \$5,655,569 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 would potentially subject the Career Center to a successful claim by the FDIC.

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Investments:

The Career Center's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Career Center or its agent in the Career Center's name. Category 2 includes uninsured or unregistered investments which are held by the counterparty's trust department or agent in the Career Center's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Career Center's name.

| | Category 1 | Category 2 | Category 3 | Carrying Value | Fair Value |
|----------------------|---------------|---------------|---------------|-------------------|------------|
| Repurchase Agreement | \$0 | \$0 | \$900,000 | \$900,000 | \$900,000 |
| Total Investments | | | | \$900,000 | \$900,000 |

Statutory provisions require that collateral pledged for deposits be held in trust by an institution other than the pledging bank.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined balance sheet and the classification per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents/ Deposits | Investments |
|----------------------|---|-------------|
| GASB Statement 9 | \$ 6,852,802 | \$ 0 |
| Investments: | | |
| Repurchase Agreement | (900,000) | 900,000 |
| GASB Statement 3 | \$ 5,952,802 | \$ 900,000 |

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6. Inventory

Inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis and is maintained on the Career Center's computer system. Inventory in governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials and supplies inventory are equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

7. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of date donated. The Career Center has established a capitalization threshold for fixed assets at \$500. The Career Center does not possess any infrastructure.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized, as applicable. Assets in the general fixed assets account group are not depreciated.

8. Intergovernmental Revenues

For governmental funds, intergovernmental revenue, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. The Career Center currently participates in several State and Federal programs, categorized as follows:

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Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Career Development
Full Service Center
Teacher Development
Adult Education
Management Information Systems
Adult Basic Education
Special Needs
Title VI

Grants and entitlements totaled approximately 43% of the Career Center's operating revenue during the 2003 fiscal year.

9. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003 are recorded as prepaid items.

10. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables".

11. Restricted Assets

Restricted assets in the general fund represents cash and cash equivalents set aside to establish a bureau of workers' compensation reserve, textbooks and instructional items reserve and capital improvements reserve. The textbooks and instructional items and capital improvements reserves are required by State statute and can only be used after receiving approval from the State Superintendent of Public Instruction.

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12. 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 Career Center will compensate the employee for the benefits through paid time off or some other means. The Career Center records a liability for accumulated unused vacation as time earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on Career Center employees who are considered eligible or potentially eligible to retire.

For governmental funds, the current portion of unpaid compensated absences is the amount currently funded. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group.

13. Long-Term Obligation

A long-term obligation is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year.

For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group.

14. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

15. Fund Balance Reserves

The Career Center records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Fund equity reserves are established for property taxes, bureau of workers' compensation refunds, capital improvements, textbooks and instructional items, encumbrances, inventory, and prepaid items.

16. Estimates

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

17. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial positions, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - FUND DEFICITS

Fund balances at June 30, 2003 included the following individual fund deficits.

DEFICIT FUND BALANCES

Special Revenue Funds

| | |
|-----------------------------------|-------|
| Fiscal Year 2003 Entry Year Grant | \$ 11 |
| Special Needs Grant | 627 |
| Accreditation Resource | 9,503 |
| Foreign Language | 1,826 |

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

The Special Revenue deficit fund balances resulted from adjustments for accrued liabilities. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

NOTE C - PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The County Fiscal Officer reappraises all real property every six years with a triennial update. The last update was completed for tax year 1999.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for tax (calendar) year 2002 was \$4.35 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$2.00 per \$1,000 of assessed valuation for real property classification as residential/agricultural and \$2.00 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the Career Center by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax (calendar) year 2002 was \$4.35 per \$1,000 of assessed valuation.

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

The assessed values upon which the fiscal year 2003 taxes were collected are:

| | |
|---|-------------------------|
| Real Property - 2002 Valuation | |
| Residential/Agricultural | \$ 1,049,758,890 |
| Commercial/Industrial | 252,090,450 |
| Tangible Personal Property - 2003 Valuation | |
| General | 117,962,239 |
| Public Utilities | 36,779,970 |
| Total Valuation | <u>\$ 1,456,591,549</u> |

The Summit County Fiscal Officer collects property tax on behalf of all taxing districts within the County. The Summit County Fiscal Officer periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance prior to year end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003 and recognized as revenue was \$226,542.

NOTE D - RISK MANAGEMENT

1. Property Insurance

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. There was no significant reduction in insurance coverage from the prior year.

2. Self-Insurance

The Career Center has established a medical self-insurance fund which is

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

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, 2003, 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 \$49,656 reported in the fund at June 30, 2003 is based on the requirements of Governmental 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 2003 were:

| | <u>Balance at Beginning of Year</u> | <u>Current Year Claims</u> | <u>Claim Payments</u> | <u>Balance at End of Year</u> |
|------|---|--------------------------------|---------------------------|-----------------------------------|
| 2003 | \$ 48,174 | \$ 800,863 | \$ 799,381 | \$ 49,656 |
| 2002 | \$ 61,115 | \$ 717,579 | \$ 730,520 | \$ 48,174 |

3. OSBA Group Rating Program

The Career Center participates in the Ohio School Boards Association 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 participating school districts 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 participating school districts is calculated as one experience and a common premium rate is applied to all school districts 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

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE E - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2003 follows:

| | <u>Balance July 1, 2002</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2003</u> |
|-------------------------|---------------------------------|------------------|-------------------|--------------------------------------|
| Land and Buildings | \$4,278,113 | \$ 0 | \$ 4,533 | \$4,273,580 |
| Furniture and Equipment | 3,015,759 | 50,647 | 382,389 | 2,684,017 |
| Vehicles | 30,550 | 0 | 7,067 | 23,483 |
| Total | <u>\$7,324,422</u> | <u>\$ 50,647</u> | <u>\$ 393,989</u> | <u>\$6,981,080</u> |

NOTE F - LONG-TERM OBLIGATIONS

Long-term obligations of the Career Center as of June 30, 2003 were as follows:

| | <u>Outstanding July 1, 2002</u> | <u>Additions</u> | <u>Reductions</u> | <u>Outstanding June 30, 2003</u> |
|--|-------------------------------------|------------------|-------------------|--------------------------------------|
| Energy Conservation Bonds, Series, 1993, 4.75% | \$ 96,000 | \$ 0 | \$ 50,000 | \$ 46,000 |
| Compensated Absences | <u>656,178</u> | <u>9,822</u> | <u>0</u> | <u>666,000</u> |
| Totals | <u>\$ 752,178</u> | <u>\$ 9,822</u> | <u>\$ 50,000</u> | <u>\$ 712,000</u> |

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

Principal and interest requirements to retire Energy Conservation Bonds outstanding at June 30, 2003 are as follows:

| | |
|---------------|-------------------------|
| June 30, 2004 | <u>\$ 48,185</u> |
| | <u><u>\$ 48,185</u></u> |

NOTE G – PENSION PLANS

1. 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.

Plan members are required to contribute 9 percent of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current Career Center rate is 14 percent of annual covered payroll. A portion of the Career Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 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 for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$98,529, \$94,437 and \$89,218, respectively; 100 percent has been contributed for fiscal years 2003 , 2002 and 2001.

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

2. 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 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.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Define 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.

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The Career Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not 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 for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$415,399, \$431,266, and \$450,966, respectively; 88 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$2,444 made by the Career Center and \$6,195 made by the plan members.

3. Post-Employment Benefits

The Career Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers' Retirement System (STRS), and to retired noncertified 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 the State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to one percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. As of July 1, 2002, eligible benefit recipients totaled 105,300. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 (the latest information available).

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year, employer contributions to fund health care benefits were 5.83 percent (8.5% in 2002) of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. The number of participants currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777 (the latest information available).

NOTE H - JOINTLY GOVERNED ORGANIZATIONS

1. Northeast Ohio Network for Educational Technology (NEONET)

NEONET is a jointly governed organization created as a regional council of governments made up of public school districts and county boards of education from Summit and Portage Counties. The primary function of NEONET is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by NEONET include pupil scheduling, registration, grade reporting and test scoring. Each member district pays an annual fee for the services provided by NEONET. The Career Center paid \$5,644 to NEONET in fiscal year 2003 for services. NEONET is governed by a Board of Directors comprised of each Superintendent within the organization. The Summit County Educational Service Center serves as the fiscal agent of the organization and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of NEONET is limited to its voting authority and any representation it may have on the Board of Directors. The continued existence of NEONET is not dependent on the Career Center's continued participation and no equity interest exists.

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

2. Interval Opportunity School

The Interval Opportunity School (the School) is a jointly governed organization made up of six area public school districts. 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 2003 for services. The School is governed by a Board of Directors comprised of each Superintendent from Coventry, Green and the Career Center. The Coventry Local School District serves as the fiscal agent of the School. The continued existence of the School is not dependent on the Career Center’s continued participation and no equity interest exists.

NOTE I – INTERFUND ACTIVITY

As of June 30, 2003, receivables and payables that resulted from various interfund transactions were as follows:

| Fund Type/Fund | Receivables | Payables |
|-----------------------------|-------------|-----------|
| General Fund | \$ 41,523 | \$ 0 |
| Special Revenue Funds | | |
| Full Service Center | 0 | 2,700 |
| Accreditation Resource Fund | 0 | 4,130 |
| VEPD Grant | 0 | 28,089 |
| Chapter II | 0 | 1,843 |
| Drug Free Schools Grant | 0 | 767 |
| Foreign Language | 0 | 1,994 |
| Total Special Revenue Fund | 0 | 39,523 |
| Agency Funds | | |
| Financial Aid | 0 | 2,000 |
| Total Agency Funds | 0 | 2,000 |
| Total All Funds | \$ 41,523 | \$ 41,523 |

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE J – 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 decision 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 its future State funding and on its financial operations.

NOTE K – CONTINGENCIES/LITIGATION

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

The Career Center is party to various legal proceedings. The Career Center's management is of the opinion that ultimate disposition of those subsequent pending claims and legal proceedings will not have a material adverse effect, if any, on the financial condition of the Career Center.

NOTE L - 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 material and an equal amount for the 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.

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

Set-aside requirements for fiscal year 2003 are as follows:

| | Textbooks | Capital Improvements | Totals |
|--|------------|-------------------------|-----------|
| Set-Aside Cash Balance as of June 30, 2002 | \$ 123,373 | \$ 38,597 | \$161,970 |
| Current Year Set-Aside Requirement | 58,705 | 58,705 | 117,410 |
| Qualifying Disbursements | (106,791) | (21,130) | (127,921) |
| Total | \$ 75,287 | \$ 76,172 | |
| Set-Aside Cash Balance as of June 30, 2003 | \$ 75,287 | \$ 76,172 | |

Monies representing Bureau of Worker's Compensation refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the General Fund since allowable expenditures are restricted by state statute totaling \$38,707. Monies set aside by the School Board for budget stabilization are reported as a designation of fund balance in the General Fund. The balance in the budget stabilization designation at June 30, 2003, was \$93,309. Total restricted assets are \$283,475.

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE M – LEASING ARRANGEMENTS

The Career Center leases the following equipment under noncancelable operating lease: copier machines – 60 – month lease.

The following is a schedule of future minimum rental payments required under the above operating lease as of June 30, 2003:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------|
| 2004 | \$4,678 |
| 2005 | 4,678 |
| 2006 | 4,678 |
| 2007 | 780 |

Rental expense amounted to \$4,678 for the year ended June 30, 2003.

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**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

| <u>FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER</u> | <u>PASS-THROUGH GRANTORS NUMBER</u> | <u>RECEIPTS</u> | <u>EXPENDITURES</u> |
|--|------------------------------------|---|------------------|---------------------|
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | |
| <i>(Direct)</i> | | | | |
| Student Financial Aid Cluster: | | | | |
| Federal Pell Grant Program | 84.063 | N/A | \$154,829 | \$154,829 |
| Federal Family Education Loans | 84.032 | N/A | 288,481 | 298,368 |
| Total Student Financial Aid Cluster | | | 443,310 | 453,197 |
| <i>(Pass-through Ohio Department of Education)</i> | | | | |
| Vocational Education - Accreditation Grant | 84.048 | 20A0-2001 | 24,000 | 15,223 |
| Vocational Education - Basic Grants to States | | 2DC1-2002 | 42,636 | 0 |
| | | 2DC1-2003 | 115,160 | 135,482 |
| | | 2DC2-2002 | 8,367 | 2,316 |
| | | 2DC2-2003 | 59,043 | 66,809 |
| Total Vocational Education - Basic Grants to States | | | 249,206 | 219,830 |
| Improving Teacher Quality State Grants | 84.367 | TRS1-2003 | 438 | 2,432 |
| Safe and Drug Free Schools and Communities State Grants | 84.186 | DRS1-2003 | 168 | 935 |
| Innovative Education Program Strategies | 84.298 | C2-S1-2002 | 1,691 | 4 |
| | | C2-S1-2003 | 405 | 2,204 |
| Total Innovative Education Program Strategies | | | 2,096 | 2,208 |
| Total Pass-Through Ohio Department of Education | | | 251,908 | 225,405 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 695,218 | 678,602 |
| <u>U.S. DEPARTMENT OF DEFENSE</u> | | | | |
| <i>(Direct)</i> | | | | |
| Air Force R.O.T.C. Grant | 12.XXX | N/A | 41,264 | 41,264 |
| Air Force R.O.T.C. Logistical Grant | 12.XXX | N/A | 20,875 | 11,445 |
| TOTAL U.S. DEPARTMENT OF DEFENSE | | | 62,139 | 52,709 |
| TOTALS | | | <u>\$757,357</u> | <u>\$731,311</u> |

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

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

**NOTE TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes activity of the 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 COMPLIANCE AND ON INTERNAL CONTROL 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 general purpose financial statements of Portage Lakes Career Center, Summit County, Ohio, (the "Center") as of and for the year ended June 30, 2003, and have issued our report thereon dated November 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the Center in a separate letter dated November 21, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Portage Lakes Career Center
Summit County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

However, we noted other matters involving the internal controls over financial reporting that do not require inclusion in this report, that we have reported in a separate letter dated November 21, 2003.

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

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

Betty Montgomery
Auditor of State

November 21, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND 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 "Center") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to major federal programs for the year ended June 30, 2003. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with those requirements.

In our opinion, the Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

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

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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 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 that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Betty Montgomery
Auditor of State

November 21, 2003

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weakness conditions reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Vocational Education – Basic Grants to State (CFDA 84.048) |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | Yes |

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**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
MARCH 11, 2004**