



**Auditor of State  
Betty Montgomery**

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**COLUMBIANA COUNTY CAREER CENTER  
COLUMBIANA COUNTY**

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**Auditor of State  
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS**

Columbiana County Career Center  
Columbiana County  
9364 State Route 45  
Lisbon, Ohio 44432

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Columbiana County Career Center (the Career Center) as of and for the year ended June 30, 2003, as listed in the table on contents. These general-purpose financial statements are the responsibility of the Career 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 Columbiana County Career Center, Columbiana County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types 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 October 20, 2003 on our consideration of the Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 federal awards expenditures schedule is presented for 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. 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

October 20, 2003

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**COLUMBIANA COUNTY CAREER CENTER**  
**COLUMBIANA COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>			
<b>ASSETS:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,582,546	\$ 77,261	\$ 816,388
Cash with fiscal agent . . . . .	-	-	-
Receivables (net of allowances of uncollectibles):			
Property taxes - current & delinquent . . . . .	1,730,011	-	-
Accounts . . . . .	2,025	-	-
Interfund loan receivable . . . . .	118,753	-	-
Due from other governments . . . . .	-	116,044	-
Materials and supplies inventory . . . . .	-	-	-
Prepayments . . . . .	36,844	-	-
Property, plant and equipment (net of accumulated depreciation where applicable). . . . .	-	-	-
<b>OTHER DEBITS:</b>			
Amount to be provided for retirement of general long-term obligations . . . . .	-	-	-
<b>Total assets and other debits . . . . .</b>	<b><u>\$ 3,470,179</u></b>	<b><u>\$ 193,305</u></b>	<b><u>\$ 816,388</u></b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
<b>LIABILITIES:</b>			
Accounts payable . . . . .	\$ 32,935	\$ 1,861	\$ -
Accrued wages and benefits . . . . .	423,575	3,729	-
Compensated absences payable . . . . .	18,813	1,458	-
Pension obligation payable . . . . .	-	-	-
Interfund loan payable . . . . .	-	115,645	-
Deferred revenue . . . . .	1,678,716	99,582	-
Due to other governments . . . . .	14,164	886	-
Due to students . . . . .	-	-	-
Claims payable . . . . .	-	-	-
<b>Total liabilities . . . . .</b>	<b><u>2,168,203</u></b>	<b><u>223,161</u></b>	<b><u>-</u></b>
<b>EQUITY AND OTHER CREDITS:</b>			
Investment in general fixed assets . . . . .	-	-	-
Retained earnings: unreserved . . . . .	-	-	-
Fund balances (deficit):			
Reserved for encumbrances . . . . .	94,805	25,736	1,400
Reserved for prepayments . . . . .	36,844	-	-
Reserved for tax revenue unavailable for appropriation. . .	62,645	-	-
Unreserved-undesignated . . . . .	<u>1,107,682</u>	<u>(55,592)</u>	<u>814,988</u>
<b>Total equity and other credits . . . . .</b>	<b><u>1,301,976</u></b>	<b><u>(29,856)</u></b>	<b><u>816,388</u></b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b><u>\$ 3,470,179</u></b>	<b><u>\$ 193,305</u></b>	<b><u>\$ 816,388</u></b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$ 133,255	\$ 6,583	\$ 7,367	\$ -	\$ -	\$ 2,623,400
-	82,258	-	-	-	82,258
-	-	-	-	-	1,730,011
2,788	-	-	-	-	4,813
-	-	-	-	-	118,753
7,858	-	-	-	-	123,902
1,683	-	-	-	-	1,683
-	-	-	-	-	36,844
310,267	-	-	5,227,509	-	5,537,776
-	-	-	-	373,995	373,995
<u>\$ 455,851</u>	<u>\$ 88,841</u>	<u>\$ 7,367</u>	<u>\$ 5,227,509</u>	<u>\$ 373,995</u>	<u>\$ 10,633,435</u>
\$ 3,648	\$ -	\$ -	\$ -	\$ -	\$ 38,444
8,704	-	-	-	-	436,008
31,483	-	-	-	370,357	422,111
1,435	-	-	-	3,638	5,073
3,108	-	-	-	-	118,753
-	-	-	-	-	1,778,298
1,351	-	19	-	-	16,420
-	-	7,348	-	-	7,348
-	31,533	-	-	-	31,533
<u>49,729</u>	<u>31,533</u>	<u>7,367</u>	<u>-</u>	<u>373,995</u>	<u>2,853,988</u>
-	-	-	5,227,509	-	5,227,509
406,122	57,308	-	-	-	463,430
-	-	-	-	-	121,941
-	-	-	-	-	36,844
-	-	-	-	-	62,645
-	-	-	-	-	1,867,078
<u>406,122</u>	<u>57,308</u>	<u>-</u>	<u>5,227,509</u>	<u>-</u>	<u>7,779,447</u>
<u>\$ 455,851</u>	<u>\$ 88,841</u>	<u>\$ 7,367</u>	<u>\$ 5,227,509</u>	<u>\$ 373,995</u>	<u>\$ 10,633,435</u>

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**COLUMBIANA COUNTY CAREER CENTER**  
**COLUMBIANA COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 1,568,825	\$ -	\$ -	\$ 1,568,825
Tuition . . . . .	215,377	-	-	215,377
Earnings on investments . . . . .	-	-	38,124	38,124
Other local revenues . . . . .	16,347	-	-	16,347
Other revenue . . . . .	5,440	-	-	5,440
Intergovernmental - State . . . . .	3,643,036	112,670	3,670	3,759,376
Intergovernmental - Federal . . . . .	-	660,871	-	660,871
	<u>5,449,025</u>	<u>773,541</u>	<u>41,794</u>	<u>6,264,360</u>
<b>Total revenue . . . . .</b>				
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	759,281	-	-	759,281
Special . . . . .	133,885	-	-	133,885
Vocational . . . . .	2,379,579	286,116	-	2,665,695
Adult/Continuing . . . . .	-	106,775	-	106,775
Support services:				
Pupil . . . . .	96,316	225,804	-	322,120
Instructional staff . . . . .	51,316	113,504	19,904	184,724
Board of Education . . . . .	230,616	-	-	230,616
Administration . . . . .	563,757	22,648	-	586,405
Fiscal . . . . .	215,805	-	-	215,805
Operations and maintenance . . . . .	603,233	3,600	-	606,833
Central . . . . .	68,358	32,264	-	100,622
Community services . . . . .	2,702	-	-	2,702
Extracurricular activities . . . . .	3,427	-	-	3,427
Facilities acquisition and construction . . . . .	149,003	56,197	99,433	304,633
	<u>5,257,278</u>	<u>846,908</u>	<u>119,337</u>	<u>6,223,523</u>
<b>Total expenditures . . . . .</b>				
Excess of revenues over (under) expenditures . . . . .	<u>191,747</u>	<u>(73,367)</u>	<u>(77,543)</u>	<u>40,837</u>
Other financing sources (uses):				
Transfers in . . . . .	-	4,958	-	4,958
Transfers out . . . . .	(36,283)	-	-	(36,283)
Proceeds from sale of fixed assets . . . . .	11,919	-	-	11,919
	<u>(24,364)</u>	<u>4,958</u>	<u>-</u>	<u>(19,406)</u>
<b>Total other financing sources (uses) . . . . .</b>				
Excess of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	167,383	(68,409)	(77,543)	21,431
Fund balances, July 1 . . . . .	<u>1,134,593</u>	<u>38,553</u>	<u>893,931</u>	<u>2,067,077</u>
Fund balances, June 30 . . . . .	<u>\$ 1,301,976</u>	<u>\$ (29,856)</u>	<u>\$ 816,388</u>	<u>\$ 2,088,508</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**COLUMBIANA COUNTY CAREER CENTER**  
**COLUMBIANA COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$ 1,624,475	\$ 1,650,412	\$ 25,937	\$ -	\$ -	\$ -
Tuition . . . . .	222,485	226,037	3,552	-	-	-
Earnings on investments . . . . .	-	-	-	-	-	-
Other local revenues . . . . .	18,472	18,767	295	-	-	-
Intergovernmental - State . . . . .	3,586,433	3,643,695	57,262	121,896	117,371	(4,525)
Intergovernmental - Federal . . . . .	-	-	-	721,454	720,916	(538)
Total revenues . . . . .	5,451,865	5,538,911	87,046	843,350	838,287	(5,063)
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	726,840	709,470	17,370	-	-	-
Special . . . . .	150,609	147,010	3,599	-	-	-
Vocational . . . . .	2,554,796	2,493,741	61,055	306,773	313,546	(6,773)
Other . . . . .	-	-	-	112,140	107,677	4,463
Support services:						
Pupil . . . . .	97,748	95,412	2,336	217,523	224,247	(6,724)
Instructional staff . . . . .	51,021	49,802	1,219	112,312	115,932	(3,620)
Board of Education . . . . .	246,163	240,280	5,883	-	-	-
Administration . . . . .	578,982	565,145	13,837	28,510	25,344	3,166
Fiscal . . . . .	222,559	217,240	5,319	-	-	-
Operations and maintenance . . . . .	666,605	650,674	15,931	3,487	3,600	(113)
Central . . . . .	70,683	68,994	1,689	29,880	30,870	(990)
Community services . . . . .	2,766	2,700	66	-	-	-
Extracurricular activities . . . . .	3,511	3,427	84	-	-	-
Facilities acquisition and construction . . . . .	157,684	153,916	3,768	54,998	56,774	(1,776)
Total expenditures . . . . .	5,529,967	5,397,811	132,156	865,623	877,990	(12,367)
Excess of revenues over (under) expenditures . . . . .	(78,102)	141,100	219,202	(22,273)	(39,703)	(17,430)
<b>Other financing sources (uses):</b>						
Advances in . . . . .	117,148	119,018	1,870	-	115,645	115,645
Advances out . . . . .	(132,862)	(129,687)	3,175	-	(108,084)	(108,084)
Transfer in . . . . .	-	-	-	4,933	4,958	25
Transfer out . . . . .	(37,171)	(36,283)	888	-	-	-
Proceeds from sale of fixed assets . . . . .	11,732	11,919	187	-	-	-
Refund of prior year expenditure . . . . .	5,709	5,800	91	-	-	-
Total other financing sources (uses) . . . . .	(35,444)	(29,233)	6,211	4,933	12,519	7,586
Excess of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	(113,546)	111,867	225,413	(17,340)	(27,184)	(9,844)
Fund balances, July 1 . . . . .	1,190,973	1,190,973	-	49,731	49,731	-
Prior year encumbrances appropriated . . . . .	150,656	150,656	-	27,958	27,958	-
Fund balances, June 30 . . . . .	\$ 1,228,083	\$ 1,453,496	\$ 225,413	\$ 60,349	\$ 50,505	\$ (9,844)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 1,624,475	\$ 1,650,412	\$ 25,937
-	-	-	222,485	226,037	3,552
35,500	38,124	2,624	35,500	38,124	2,624
-	-	-	18,472	18,767	295
3,670	3,670	-	3,711,999	3,764,736	52,737
-	-	-	721,454	720,916	(538)
<u>39,170</u>	<u>41,794</u>	<u>2,624</u>	<u>6,334,385</u>	<u>6,418,992</u>	<u>84,607</u>
-	-	-	726,840	709,470	17,370
-	-	-	150,609	147,010	3,599
-	-	-	2,861,569	2,807,287	54,282
-	-	-	112,140	107,677	4,463
-	-	-	315,271	319,659	(4,388)
21,168	21,104	64	184,501	186,838	(2,337)
-	-	-	246,163	240,280	5,883
-	-	-	607,492	590,489	17,003
-	-	-	222,559	217,240	5,319
-	-	-	670,092	654,274	15,818
-	-	-	100,563	99,864	699
-	-	-	2,766	2,700	66
-	-	-	3,511	3,427	84
99,936	99,633	303	312,618	310,323	2,295
<u>121,104</u>	<u>120,737</u>	<u>367</u>	<u>6,516,694</u>	<u>6,396,538</u>	<u>120,156</u>
(81,934)	(78,943)	2,991	(182,309)	22,454	204,763
-	-	-	117,148	234,663	117,515
-	-	-	(132,862)	(237,771)	(104,909)
-	-	-	4,933	4,958	25
-	-	-	(37,171)	(36,283)	888
-	-	-	11,732	11,919	187
-	-	-	5,709	5,800	91
-	-	-	(30,511)	(16,714)	13,797
(81,934)	(78,943)	2,991	(212,820)	5,740	218,560
808,067	808,067	-	2,048,771	2,048,771	-
85,864	85,864	-	264,478	264,478	-
<u>\$ 811,997</u>	<u>\$ 814,988</u>	<u>\$ 2,991</u>	<u>\$ 2,100,429</u>	<u>\$ 2,318,989</u>	<u>\$ 218,560</u>

**COLUMBIANA COUNTY CAREER CENTER**  
**COLUMBIANA COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS  
 ALL PROPRIETARY FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Tuition and fees . . . . .	\$ 373,927	\$ 749,992	\$ 1,123,919
Sales/charges for services . . . . .	53,081	-	53,081
Other . . . . .	<u>198</u>	<u>24,153</u>	<u>24,351</u>
Total operating revenues . . . . .	<u>427,206</u>	<u>774,145</u>	<u>1,201,351</u>
Operating expenses:			
Personal services . . . . .	469,001	-	469,001
Contract services . . . . .	49,910	43,722	93,632
Materials and supplies . . . . .	226,420	-	226,420
Depreciation . . . . .	19,719	-	19,719
Claims expense . . . . .	-	683,845	683,845
Other . . . . .	<u>558</u>	<u>-</u>	<u>558</u>
Total operating expenses . . . . .	<u>765,608</u>	<u>727,567</u>	<u>1,493,175</u>
Operating income (loss) . . . . .	<u>(338,402)</u>	<u>46,578</u>	<u>(291,824)</u>
Nonoperating revenues:			
Operating grants . . . . .	319,644	-	319,644
Federal commodities . . . . .	3,641	-	3,641
Interest revenue . . . . .	-	212	212
Other nonoperating revenues . . . . .	<u>45,233</u>	<u>-</u>	<u>45,233</u>
Total nonoperating revenues . . . . .	<u>368,518</u>	<u>212</u>	<u>368,730</u>
Net income before transfers . . . . .	30,116	46,790	76,906
Transfers in . . . . .	<u>31,325</u>	<u>-</u>	<u>31,325</u>
Net income . . . . .	61,441	46,790	108,231
Retained earnings, July 1 . . . . .	<u>344,681</u>	<u>10,518</u>	<u>355,199</u>
Retained earnings, June 30 . . . . .	<u>\$ 406,122</u>	<u>\$ 57,308</u>	<u>\$ 463,430</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**COLUMBIANA COUNTY CAREER CENTER**  
**COLUMBIANA COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
<b>Cash flows from operating activities:</b>			
Cash received from tuition and fees . . . . .	\$ 377,697	\$ -	\$ 377,697
Cash received from sales / charges for services . . . . .	51,244	749,992	801,236
Cash received from other operations . . . . .	-	24,153	24,153
Cash payments for personal services . . . . .	(462,751)	-	(462,751)
Cash payments for contract services . . . . .	(50,190)	(43,722)	(93,912)
Cash payments for materials and supplies. . . . .	(217,138)	-	(217,138)
Cash payments for claims expenses. . . . .	-	(705,137)	(705,137)
Cash payments for other expenses . . . . .	(440)	-	(440)
Net cash provided by (used in) operating activities. . . . .	<u>(301,578)</u>	<u>25,286</u>	<u>(276,292)</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from grants and subsidies. . . . .	319,218	-	319,218
Cash received from transfers in. . . . .	31,325	-	31,325
Cash received from interfund loans. . . . .	3,108	-	3,108
Cash received from other noncapital financing activities. . . . .	<u>45,233</u>	<u>-</u>	<u>45,233</u>
Net cash provided by noncapital financing activities . . . . .	<u>398,884</u>	<u>-</u>	<u>398,884</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets . . . . .	<u>(146,700)</u>	<u>-</u>	<u>(146,700)</u>
Net cash used in capital and related financing activities . . . . .	<u>(146,700)</u>	<u>-</u>	<u>(146,700)</u>
<b>Cash flows from investing activities:</b>			
Interest received . . . . .	<u>-</u>	<u>212</u>	<u>212</u>
Net cash provided by investing activities. . . . .	<u>-</u>	<u>212</u>	<u>212</u>
Net increase (decrease) in cash and cash equivalents. . . . .	(49,394)	25,498	(23,896)
Cash and cash equivalents at beginning of year. . . . .	<u>182,649</u>	<u>63,343</u>	<u>245,992</u>
Cash and cash equivalents at end of year . . . . .	<u>\$ 133,255</u>	<u>\$ 88,841</u>	<u>\$ 222,096</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss) . . . . .	\$ (338,402)	\$ 46,578	\$ (291,824)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation . . . . .	19,719	-	19,719
Federal donated commodities . . . . .	3,641	-	3,641
Changes in assets and liabilities:			
Decrease in materials and supplies inventory . . . . .	2,093	-	2,093
Decrease in accounts receivable. . . . .	1,735	-	1,735
Increase in accounts payable . . . . .	3,249	-	3,249
Increase in accrued wages and benefits . . . . .	1,804	-	1,804
Increase in compensated absences payable . . . . .	4,125	-	4,125
Increase in due to other governments. . . . .	10	-	10
Increase in pension obligation payable . . . . .	750	-	750
Decrease in claims payable . . . . .	-	(21,292)	(21,292)
Decrease in deferred revenue . . . . .	<u>(302)</u>	<u>-</u>	<u>(302)</u>
Net cash provided by (used in) operating activities . . . . .	<u>\$ (301,578)</u>	<u>\$ 25,286</u>	<u>\$ (276,292)</u>
<b>Noncash investing, capital and financing activities:</b>			
Federal donated commodities . . . . .	<u>\$ 3,641</u>	<u>\$ -</u>	<u>\$ 3,641</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Columbiana County Career Center (the "Center") is organized under section 3311.88 of the Ohio Revised Code. The Center provides vocational education for 9 school districts serving all eligible students throughout 501 square miles of eastern Ohio, including Columbiana and portions of Mahoning, and Jefferson counties. The Center fosters cooperative relationships with business and industry, professional organizations, participating school districts, and other interested, concerned groups and organizations to consider, plan, and implement educational programs designed to meet the common needs and interests of students. The Center is staffed by 57 certificated employees and 21 non-certificated employees to provide service to approximately 475 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform with accounting principles generally accepted in the United State of America (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Center also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict/or contradict GASB pronouncements. The Center's significant accounting policies are described below.

**A. Financial Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or



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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

(2) the Center is legally entitled to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt, or the levying of taxes. Based upon the application of this criteria, the Center has no component units. The financial statements of the reporting entity include only those of the Center (the primary government). The following organizations are described due to their relationship to the Center:

*JOINTLY GOVERNED ORGANIZATION*

Area Cooperative Computerized Educational Service System (ACCESS)

ACCESS is a jointly governed organization among 22 school districts and 2 county educational service centers. ACCESS was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge dependent upon the software package utilized. ACCESS is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the Center does not have any equity interest in ACCESS. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 2801 Market Street, Youngstown, Ohio 44507-1693.

*INSURANCE PURCHASING POOL*

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio Association of School Business Officials ("OASBO") as a group purchasing pool.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Basis of Presentation - Fund Accounting**

The Center uses funds and account groups to report 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 Center functions or activities.

A fund is defined as a fiscal 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 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 Center are financed. The acquisition, use and balances of the Center's expendable financial resources and the related current liabilities (except those accounted for in proprietary or fiduciary funds) are accounted for through governmental funds. The following are the Center's governmental fund types:

*General Fund* - The general fund is the operating fund of the 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 Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

*Special Revenue Funds* - The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

*Capital Projects Funds* - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

*PROPRIETARY FUND TYPES*

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

*Enterprise Funds* - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Internal Service Funds* - The internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the Center, on a cost reimbursement basis.

*FIDUCIARY FUND TYPES*

Fiduciary funds are used to account for assets held by the Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Center's fiduciary funds include agency funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3.B. for agency fund accruals which, in another fund type, would be recognized in the combined balance sheet.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*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 general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the Center, other than those accounted for in proprietary or trust funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the Center, except those accounted for in the proprietary funds and trust funds.

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., 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. Fund equity (e.g., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds and the nonexpendable trust fund 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 measurement made.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

The modified accrual basis of accounting is followed for governmental 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 Center is 60 days after year-end.

In applying the "susceptible to accrual" concept under the modified accrual basis, the following revenue resources are deemed both measurable and available: investment earnings, tuition, grants and student fees.

Nonexchange transactions, in which the Center 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. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis.

The Center reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Center before it has a legal claim to them. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current property taxes measurable as of June 30, 2003, and which are intended to finance fiscal year 2004 operations, have been recorded as deferred revenue.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

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

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

*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 expressed 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 Columbiana County Budget Commission for rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the Center Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Center Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation to meet the ordinary expenses of the Center. The appropriation resolution, 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 totals at any level of control. Although the legal level of budgetary control was established at the fund level of expenditures for all funds, the Center has elected to present budgetary statement comparisons at the fund and function level of expenditures for all governmental funds. Any revisions that alter the total of any fund appropriation 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, supplemental appropriations were legally enacted by the Board.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditures of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 12 discloses encumbrances outstanding for enterprise funds at fiscal year-end.



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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

*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 are not reappropriated.

**E. Cash and Investments**

To improve cash management, cash received by the Center is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2003, investments were limited to investments in STAR Ohio, and a repurchase agreement.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The Center has invested funds in STAR Ohio during fiscal 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Under existing Ohio statutes all investment earnings are assigned to the general fund, except for those specifically related to the Permanent Improvement capital projects fund, which is individually authorized by Board resolution. Interest revenue credited to the Permanent Improvement capital projects fund during fiscal year 2003, amounted to \$38,124, which includes \$25,587 assigned from other Center funds.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, funds included within the Treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

**F. Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**G. Prepayments**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepayments using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which it is consumed.

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The Center follows the policy of not capitalizing assets with a cost of less than \$500. No depreciation is recognized for assets in the general fixed assets account group. Interest incurred during construction is not capitalized on the general fixed assets. The Center has not included infrastructure in the general fixed asset account group.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

2. Proprietary Funds

Equipment reflected in these funds are stated at historical 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 the date donated. Depreciation has been computed on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture and equipment	10 - 20

**I. Compensated Absences**

Compensated absences of the Center consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Center and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. Sick leave benefits are accrued as a liability using the vesting method. Under this method, a liability for severance is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. The Center records a liability for accumulated unused sick leave for employees after 20 years of current service with the Center, or after 15 years of service and at least 45 years of age or after 10 years of service and at least 50 years old.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. 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. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**J. Long-Term Obligations**

For 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 obligation is reported in the general long-term obligations account group. Long-term obligations expected to be financed by proprietary funds are reported as liabilities in the appropriate funds.

**K. Fund Balance Reserves**

Reservations of fund balances indicate that portion of fund equity, which are not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, and tax revenue unavailable for appropriation. The reserve for tax advance unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under state statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**L. Interfund Transactions**

During the course of normal operations, the Center has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable." The Center had short-term interfund loans receivable and payable at June 30, 2003.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The Center had no long-term advances receivable and payable at June 30, 2003.
5. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

An analysis of interfund loans receivable/payable and operating transfers is presented in Note 5.

**M. Estimates**

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

**N. Other Local Revenues**

The revenue line item "other local revenues", reported in the governmental funds include rent, gifts, donations and other miscellaneous local revenue received by the Center.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

**O. Memorandum Only - Total Columns**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balance**

Fund balances/retained earnings at June 30, 2003 included the following individual fund deficits:

<u>Fund Type/Fund</u>	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Adult Education Full Service	\$ 2,700
Management Information System	1,394
Tech Prep	4,306
Miscellaneous State Grants	3,793
Adult Basic Education	15,592
Vocational Education	46,111

Each of these funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balances in the Adult Education Full Service, Technology Preparation, Miscellaneous State Grants, Adult Basic Education, and Vocational Education special revenue funds were caused by the application of GAAP, namely in the reporting of "advances in" from another fund as an interfund loan payable rather than as an "other financing source." The deficit fund balance in the Management Information System special revenue fund was caused by the application of GAAP, namely in the reporting of accrued wages and benefits payable at year-end. These deficits will be eliminated by anticipated intergovernmental revenues and subsidies not recognized at June 30.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Agency Fund**

The following is an accrual for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

Accounts receivable	\$9
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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

The Center maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the 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 Center treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the 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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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

Interim monies may be invested or deposited 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, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.



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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash on hand:* At fiscal year-end, the Center had \$345 in undeposited cash on hand, which is included on the combined balance sheet of the Center as part of "Equity in Pooled Cash and Cash Equivalents."

*Cash with fiscal agent:* The Center participates in the Columbiana County Insurance Consortium for employee benefits. The bank balance at fiscal year-end for the Employee Benefit Self-Insurance Fund was \$82,258. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At year-end, the carrying amount of the Center's deposits was \$(15,728) and the bank balance was \$47,477. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the Center's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". The entire bank balance was covered by federal depository insurance.

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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

*Investments:* GASB Statement No. 3 requires the use of three categories to classify investments. Category 1 includes investments that are insured or registered or securities held by the Center or its agent in the Center's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the Center's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	\$253,380	\$ 253,380	\$ 253,380
Investment in STAR Ohio	-	<u>2,385,403</u>	<u>2,385,403</u>
Total Investments	<u>\$253,380</u>	<u>\$2,638,783</u>	<u>\$2,638,783</u>

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, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of pooled cash and cash equivalents on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No.9	\$ 2,705,658	\$ -
Investments of the cash management pool:		
STAR Ohio	(2,385,403)	2,385,403
Repurchase agreement	(253,380)	253,380
Cash on hand	(345)	-
Cash with fiscal agent	<u>(82,258)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ (15,728)</u>	<u>\$2,638,783</u>

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**NOTE 5 - INTERFUND TRANSACTIONS**

**A. Transfers**

The following is a reconciliation of the Center's transfers for fiscal year 2003:

	<u>Transfers In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$36,283
<u>Special Revenue Fund</u>		
Management Information System	4,958	-
<u>Enterprise Funds</u>		
Food Service	22,062	-
Uniform School Supplies	<u>9,263</u>	<u>-</u>
Total	<u>\$36,283</u>	<u>\$36,283</u>

**B. Interfund Loans Receivable/Payable**

Interfund balances at June 30, 2003, consist of the following individual interfund loans receivable and/or payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$118,753	\$ -
<u>Special Revenue Funds</u>		
Adult Education Full Service	-	2,700
Tech Prep	-	4,272
Miscellaneous State Grant Fund	-	3,750
Adult Basic Education	-	25,501
Vocational Education	-	62,959
Title VI	-	3,289
Drug-Free School Grant	-	1,311

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

	Interfund Loans Receivable	Interfund Loans Payable
<u>Special Revenue Funds - (continued)</u>		
Improving Teacher Quality	-	3,378
Miscellaneous Federal Grant Fund	-	8,485
Total special revenue funds	-	115,645
<u>Enterprise Funds</u>		
Food Service	-	2,507
Uniform School Supplies	-	601
Total enterprise funds	-	3,108
Total	<u>\$118,753</u>	<u>\$118,753</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the Center.

Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by state law at 35% of appraised market value. All property is required to be revalued every six years.

Public utility property taxes are assessed on tangible personal property at 88% of true value (with certain exceptions) and on real property at 35% of true value.

Tangible personal property taxes are levied on April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed value upon which the 2002 taxes were collected was \$908,471,470. Agricultural/residential and public utility real estate represented 73.39% or \$666,682,870 of this total; commercial & industrial real estate represented 12.54% or \$113,965,980 of this total; public utility tangible represented 6.31% or 57,336,930 of this total; and general tangible property represented 7.76% or \$70,485,690 of this total. The voted general tax rate for operations at the fiscal year ended June 30, 2003 was \$2.80 per \$1,000.00 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The Center receives property taxes from Columbiana, Mahoning, Jefferson and Carroll Counties. The County Treasurers collect property tax on behalf of the Center. The County Auditors periodically remit to the Center its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, tangible 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 amounts available at June 30 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, was \$62,645 in the general fund.

Taxes available for advance and recognized as revenue, but not received by the Center prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The Center is prohibited, by law, from appropriating this revenue in accordance with Ohio Revised Code Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2003, consisted of taxes, accounts (billings for user charged services and student fees), interfund loans, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$1,730,011
Accounts	2,025
Interfund loans	118,753
<u>Special Revenue Funds</u>	
Due from other governments	116,044
<u>Enterprise Funds</u>	
Accounts	2,788
Due from other governments	7,858

**NOTE 8 - FIXED ASSETS**

**A. General Fixed Assets**

A summary of the changes in the general fixed asset account group during fiscal year 2003 follows:

	<u>Balance</u>		<u>Balance</u>
	<u>July 1, 2002</u>	<u>Additions</u>	<u>June 30, 2003</u>
		<u>Deletions</u>	
Land/improvements	\$ 395,079	\$ -	\$ 395,079
Buildings/improvements	1,308,396	269,016	1,577,412
Furniture and equipment	3,044,052	114,507	3,158,559
Vehicles	83,275	-	83,275
Construction in progress	-	13,184	13,184
<b>Total</b>	<u>\$4,830,802</u>	<u>\$396,707</u>	<u>\$5,227,509</u>

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 8 - FIXED ASSETS - (Continued)**

**B. Proprietary Fixed Assets**

A summary of the proprietary fixed assets at June 30, 2003, follows:

Furniture and equipment	\$ 624,367
Less: accumulated depreciation	<u>(314,100)</u>
Net fixed assets	<u>\$ 310,267</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During the year ended June 30, 2003, the following changes occurred in liabilities reported in the general long-term obligations account groups. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	Balance <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2003</u>
Compensated absences	\$319,740	\$50,617	\$ -	\$370,357
Pension obligation payable	<u>988</u>	<u>3,638</u>	<u>(988)</u>	<u>3,638</u>
Total	<u>\$320,728</u>	<u>\$54,255</u>	<u>\$(988)</u>	<u>\$373,995</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the Center shall never exceed 9% of the total assessed valuation of the Center. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the Center. The effects of these debt limitations at June 30, 2003, are a voted debt margin of \$81,762,432 and an unvoted debt margin \$908,471.

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**NOTE 10 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 312 days for administrators, 270 days for classified and 269 for certified personnel. Upon retirement, payment is made for one-fourth of accrued but unused sick leave to a maximum of 78 days for administrators, 42 days for classified employees and 67 days for certified employees.

**B. Life Insurance**

The Center provides life insurance and accidental death and dismemberment insurance to most employees through Safeco Life Insurance Company.



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**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the Center's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents - replacement cost	\$ 1,000	\$17,575,100
Boiler	1,000	17,575,100
Inland Marine	100	55,400
EDP Coverage	250	394,200
Garagekeepers	500	120,000
Automobile Liability		1,000,000
General Liability:		
Per occurrence		1,000,000
Aggregate		5,000,000
Umbrella Liability:		
Per occurrence	2,500	1,000,000
Aggregate	10,000	4,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from prior year.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT - (Continued)**

**B. Health Insurance**

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The Center is a member of a claims servicing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the Center's behalf. The claims liability of \$31,533 reported in the internal service fund at June 30, 2003, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be reported. Changes in claims activity for the current and previous fiscal year is as follows:

	Balance at Beginning of <u>Year</u>	Current <u>Year Claims</u>	Claims <u>Payments</u>	Balance at <u>End of Year</u>
2003	\$ 52,825	\$683,845	\$(705,137)	\$31,533
2002	103,631	665,636	(716,442)	52,825

**C. Workers' Compensation**

The Center participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

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**NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Center maintains four enterprise funds to account for the operations of food service, uniform school supplies, rotary and adult education programs. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the Center as of and for the year ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Rotary</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$ 53,081	\$24,882	\$51,930	\$ 297,313	\$ 427,206
Operating expenses before depreciation	162,570	33,916	50,080	499,323	745,889
Depreciation	3,510	-	-	16,209	19,719
Operating income/(loss)	(112,999)	(9,034)	1,850	(218,219)	(338,402)
Operating grants	66,066	-	-	253,578	319,644
Federal commodities	3,641	-	-	-	3,641
Net income/(loss)	(24,770)	(9,034)	2,299	61,621	30,116
Net working capital	10,728	829	31,952	52,346	95,855
Total assets	53,049	2,779	32,639	367,384	455,851
Fixed asset additions	21,100	-	-	111,938	133,038
Total liabilities	10,749	1,950	687	36,343	49,729
Total equity	42,300	829	31,952	331,041	406,122
Encumbrances outstanding as of 6/30/03	7,592	1,832	1,454	21,779	32,657

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Center contributes to the School Employees Retirement System of Ohio (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 State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the Center is required to contribute at an actuarially determined rate of 14% for 2003, 8.17% was the portion 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 adequacy of the contribution rates is determined annually. The Center's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$82,049, \$79,212, and \$77,899, respectively; equal to 100% of the required contribution for each fiscal year.

**B. State Teachers Retirement System**

The Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 9.3% of their annual covered salary and the Center is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The Center's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$423,044, \$490,254, \$463,436, respectively; equal to 100% of the required contribution for each fiscal year.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2003, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The Center provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the 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% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the Center, this amount equaled \$30,217 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% 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 has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the Center, the amount to fund health care benefits, including surcharge, equaled \$35,396 during the 2003 fiscal year.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

	<b>Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses</b>		
	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$111,867	\$(27,184)	\$(78,943)
Net adjustment for revenue accruals	(89,886)	(64,746)	-
Net adjustment for expenditure accruals	11,483	4,326	-
Net adjustment for other sources/uses	4,869	(7,561)	-
Adjustment for encumbrances	<u>129,050</u>	<u>26,756</u>	<u>1,400</u>
GAAP basis	<u>\$167,383</u>	<u>\$(68,409)</u>	<u>\$(77,543)</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The Center received financial assistance from federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Center at June 30, 2003.



**COLUMBIANA COUNTY CAREER CENTER  
COLUMBIANA COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 16 - CONTINGENCIES - (Continued)**

**B. Litigation**

The Center is not party to any legal proceedings that would have a material impact on the financial statements.

**C. State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school funding scheme that is thorough and efficient ...". The Center is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**NOTE 17 - STATUTORY RESERVES**

The Center is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2002	\$( 286,353)	\$ -
Current year set-aside requirement	73,143	73,143
Qualifying disbursements	<u>(179,924)</u>	<u>(466,626)</u>
Total	<u>\$(393,134)</u>	<u>\$(393,483)</u>
Cash balance carried forward to FY 2004	<u>\$(393,134)</u>	<u>\$ -</u>

**COLUMBIANA COUNTY CAREER CENTER  
COLUMBIANA COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 17 - STATUTORY RESERVES - (Continued)**

Although the Center had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

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**COLUMBIANA COUNTY CAREER CENTER  
COLUMBIANA COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$3,641		\$3,641
National School Breakfast Program	05-PU-2002 05-PU-2003	10.553	3,633 <u>13,438</u>		3,633 <u>13,438</u>	
Total National School Breakfast Program			<u>17,071</u>		<u>17,071</u>	
National School Lunch Program	LL-P4-2002 LL-P4-2003	10.555	11,517 <u>33,418</u>		11,517 <u>33,418</u>	
Total National School Lunch Program			<u>44,935</u>		<u>44,935</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>62,006</u>	<u>3,641</u>	<u>62,006</u>	<u>3,641</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education- State Grant Program	AB-S1-2002 AB-S1-2003	84.002	114,035 <u>81,592</u>		22,966 <u>97,862</u>	
Total Adult Education - State Grant Program			<u>195,627</u>		<u>120,828</u>	
Vocational Education - Basic Grants to States	20-C1-2002 20-C1-2003 20-C2-2002 20-C2-2003 20-A0-2002	84.048	22,422 201,380 1,800 155,281 <u>3,600</u>		0 236,934 0 182,686 <u>0</u>	
Total Vocational Education - Basic Grants to States			<u>384,483</u>		<u>419,620</u>	
Drug Free School Grant	DR-S1-2003	84.186	762		2,073	
Eisenhower Professional Development Grant	MS-S1-2002	84.281	478		312	
Innovative Educational Program Strategies	C2-S1-2002 C2-S1-2003	84.298	2,859 <u>1,695</u>		0 <u>4,984</u>	
Total Innovative Educational Program Strategies			<u>4,554</u>		<u>4,984</u>	
FIE Grant	N/A	84.215	31,515		40,000	
Title II - A	TR-S1-2003	84.367	1,314		4,692	
ARC Grant	D1-02-2002	84.923	36,775		36,775	
Federal Pell Grant Program	N/A	84.063	125,961		125,961	
LPDC Research Project	QE-S1-2002	84.336	7,500		1,303	
Total Department of Education			<u>788,969</u>		<u>756,548</u>	
<b>Totals</b>			<u><u>\$850,975</u></u>	<u><u>\$3,641</u></u>	<u><u>\$818,554</u></u>	<u><u>\$3,641</u></u>

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

**COLUMBIANA COUNTY CAREER CENTER  
COLUMBIANA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2003**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the Career Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B — FOOD DISTRIBUTION**

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

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## Auditor of State Betty Montgomery

### REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Columbiana County Career Center  
Columbiana County  
9364 State Route 45  
Lisbon, Ohio 44432

To the Board of Education:

We have audited the accompanying financial statements of the Columbiana County Career Center (the Career Center) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 20, 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 Career Center's 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 immaterial instances of noncompliance that we have reported to management of the Career Center in a separate letter dated October 20, 2003.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Career Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our 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. However, we noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Career Center in a separate letter dated October 20, 2003.

This report is intended solely for the information and use of the audit committee, management, 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

October 20, 2003





## Auditor of State Betty Montgomery

### REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Columbiana County Career Center  
Columbiana County  
9364 State Route 45  
Lisbon, Ohio 44432

#### Compliance

We have audited the compliance of the Columbiana County Career Center (the Career Center) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The Career 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 its major federal program is the responsibility of the Career Center's management. Our responsibility is to express an opinion on the Career Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 Career Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Career Center's compliance with those requirements.

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

#### Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 the audit committee, management, 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

October 20, 2003

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505**

**COLUMBIANA COUNTY CAREER CENTER  
COLUMBIANA COUNTY  
JUNE 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

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





**Auditor of State  
Betty Montgomery**

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**COLUMBIANA COUNTY CAREER CENTER**

**COLUMBIANA 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  
DECEMBER 30, 2003**