



Dave Yost • Auditor of State

**EHOVE CAREER CENTER
ERIE COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|------|
| Independent Accountants' Report..... | 1 |
| Management's Discussion and Analysis..... | 3 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | 13 |
| Statement of Activities | 14 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds..... | 15 |
| Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities..... | 16 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 17 |
| Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 18 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual Comparison - General Fund | 19 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual Comparison - Adult Education | 20 |
| Statement of Fiduciary Net Assets - Agency Funds | 21 |
| Notes to the Basic Financial Statements | 23 |
| Schedule of Federal Awards Receipts and Expenditures..... | 55 |
| Notes to the Schedule of Federal Awards Receipts and Expenditures | 56 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 57 |
| Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 | 59 |
| Schedule of Findings..... | 61 |
| Corrective Action Plan..... | 63 |

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the EHOVE Career Center, Erie County, Ohio (the Career Center), as of and for the year ended June 30, 2012, which collectively comprise the Career Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Career Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the EHOVE Career Center, Erie County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Adult Education funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2012, on our consideration of the Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Career Center's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

October 9, 2012

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The management's discussion and analysis of the EHOVE Career Center (the "Career Center") financial performance provides an overall review of the Career Center's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Career Center's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Career Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities increased \$297,610, which represents an 8.30% increase from fiscal year 2011.
- General revenues accounted for \$12,370,037 in revenue or 67.29% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,012,409 or 32.71% of total revenues of \$18,382,446.
- The Career Center had \$18,084,836 in expenses related to governmental activities; \$6,012,409 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,370,037 were adequate to provide for these programs.
- The Career Center has two major governmental funds; the general fund and the adult education fund. The Career Center restated fund balances at June 30, 2011 as described in Note 3.B to the basic financial statements. The general fund had \$13,255,764 in revenues and \$13,372,243 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance decreased \$118,070 from a restated balance of \$5,147,225 to \$5,029,155.
- The adult education fund had \$3,009,280 in revenues and other financing sources and \$3,203,628 in expenditures. During fiscal year 2012, the adult education fund's fund balance decreased \$237,240 from \$315,299 to \$78,059.

Using the Basic Financial Statements

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

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Reporting the Career Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Career Center to provide programs and activities, the view of the Career Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the Career Center's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the Career Center's Fiduciary Responsibilities

The Career Center acts in a trustee capacity as an agent for individuals and other governments or organizations. These activities are reported in agency funds. All of the Career Center's fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from the Career Center's other financial statements because the assets cannot be utilized by the Career Center to finance its operations.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Notes to the Basic Financial Statements

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

The Career Center as a Whole

The statement of net assets provides the perspective of the Career Center as a whole. The table below provides a summary of the Career Center's net assets at June 30, 2012 and June 30, 2011.

| | Net Assets | |
|--|------------------------------------|------------------------------------|
| | Governmental Activities 2012 | Governmental Activities 2011 |
| <u>Assets</u> | | |
| Current and other assets | \$ 13,787,118 | \$ 13,084,110 |
| Capital assets, net | <u>1,395,090</u> | <u>1,453,255</u> |
| Total assets | <u>15,182,208</u> | <u>14,537,365</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 7,565,594 | 6,952,873 |
| Long-term liabilities | <u>3,731,188</u> | <u>3,996,676</u> |
| Total liabilities | <u>11,296,782</u> | <u>10,949,549</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 149,090 | 89,255 |
| Restricted | 78,857 | 8,903 |
| Unrestricted | <u>3,657,479</u> | <u>3,489,658</u> |
| Total net assets | <u>\$ 3,885,426</u> | <u>\$ 3,587,816</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the Career Center's assets exceeded liabilities by \$3,885,426.

At year-end, capital assets represented 9.19% of total assets. Capital assets include land, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$149,090. These capital assets are used to provide services to the students and are not available for future spending.

Although the Career Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. The Career Center had no bonded debt outstanding at June 30, 2012; however, the Career Center did have school improvement and energy conservation notes outstanding at June 30, 2012.

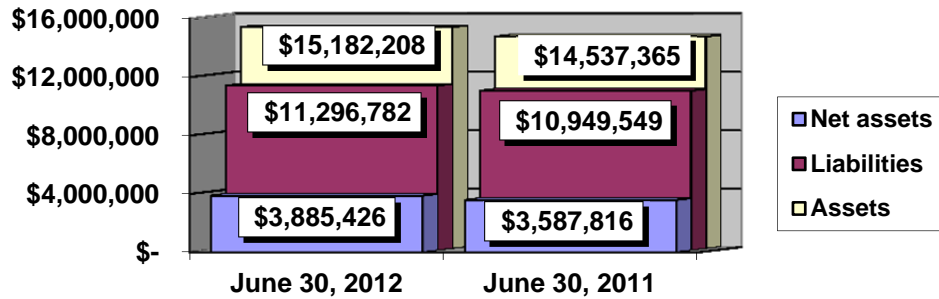
A portion of the Career Center's net assets, \$78,857 represent resources that are subject to external restrictions on how they may be used. The remaining amount of the Career Center's net assets of \$3,657,479 is unrestricted and may be used to meet the Career Center's ongoing obligations to the students and creditors.

The graph below illustrates the Career Center's assets, liabilities and net assets at June 30, 2012 and June 30, 2011.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Governmental Activities



The table below shows the change in net assets for fiscal years 2012 and 2011.

| | Change in Net Assets | |
|------------------------------------|------------------------------------|------------------------------------|
| | Governmental Activities 2012 | Governmental Activities 2011 |
| Revenues | | |
| Program revenues: | | |
| Charges for services and sales | \$ 2,901,931 | \$ 2,699,643 |
| Operating grants and contributions | 3,110,478 | 2,601,634 |
| General revenues: | | |
| Taxes | 6,600,741 | 5,792,700 |
| Grants and entitlements | 5,654,067 | 6,462,835 |
| Investment earnings | 9,067 | 22,175 |
| Miscellaneous | 106,162 | 151,145 |
| Total revenues | 18,382,446 | 17,730,132 |

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

| | Change in Net Assets | |
|--|-----------------------------|----------------------------|
| | Governmental Activities | Governmental Activities |
| | <u>2012</u> | <u>2011</u> |
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 899,270 | \$ 926,010 |
| Special | 435,757 | 414,597 |
| Vocational | 5,447,513 | 5,548,837 |
| Adult continuing education | 4,055,484 | 3,866,216 |
| Support services: | | |
| Pupil | 1,005,199 | 1,049,925 |
| Instructional staff | 313,589 | 353,547 |
| Board of education | 66,714 | 63,495 |
| Administration | 2,050,176 | 2,118,097 |
| Fiscal | 436,027 | 425,956 |
| Business | 314,506 | 279,460 |
| Operations and maintenance | 1,683,837 | 2,953,725 |
| Pupil transportation | 45,704 | 26,482 |
| Central | 535,278 | 514,531 |
| Operations of non-instructional services | | |
| Food service operations | 366,849 | 363,718 |
| Other non instructional services | 279,735 | 243,643 |
| Interest and fiscal charges | <u>149,198</u> | <u>160,148</u> |
| Total expenses | <u>18,084,836</u> | <u>19,308,387</u> |
| Change in net assets | 297,610 | (1,578,255) |
| Net assets at beginning of year | <u>3,587,816</u> | <u>5,166,071</u> |
| Net assets at end of year | <u>\$ 3,885,426</u> | <u>\$ 3,587,816</u> |

Governmental Activities

Net assets of the Career Center's governmental activities have increased by \$297,610 or 8.30% from fiscal year 2011. Vocational expense is the predominant expense line item of the Career Center, totaling \$5,447,513 or 30.12% of total expenses. Total governmental expenses of \$18,084,836 were offset by program revenues of \$6,012,409 and general revenues of \$12,370,037. Program revenues supported 33.25% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from taxes, and unrestricted grants and entitlements. These two revenue sources represent 66.67% of total governmental revenue.

Operating grants and contributions increased \$508,844 in fiscal year 2012 primarily due to the recording of the Special Education Weighted Amount and Open Enrollment Adjustment from the Career Center's June 2012 settlement report as operating grant and contribution revenue as opposed to unrestricted grant and entitlement revenue. This in turn helps explain the subsequent decrease in grant and entitlement revenue during fiscal year 2012. Tax revenue increased \$808,041 in fiscal year 2012 primarily due to the Career Center receiving its first full year of new tax revenues from the replacement levy passed in November 2010.

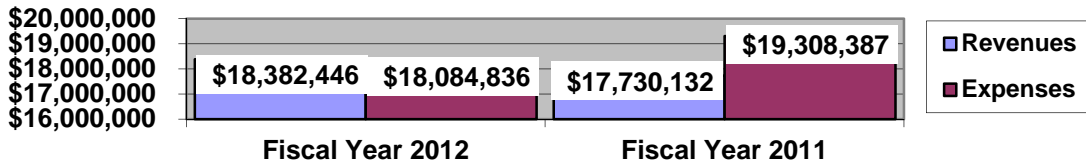
Operations and maintenance expense decreased \$1,269,888 in fiscal year 2012 primarily due to the completion of significant energy conservation maintenance activities and upgrades at the Career Center in fiscal year 2011.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The graph below presents the Career Center's governmental activities revenues and expenses for fiscal years 2012 and 2011.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2012 and 2011. It identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

| | Total Cost of Services 2012 | Net Cost of Services 2012 | Total Cost of Services 2011 | Net Cost of Services 2011 |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 899,270 | \$ 899,270 | \$ 926,010 | \$ 910,085 |
| Special | 435,757 | 435,757 | 414,597 | 414,597 |
| Vocational | 5,447,513 | 4,836,354 | 5,548,837 | 5,454,579 |
| Adult continuing education | 4,055,484 | 317,046 | 3,866,216 | (154,749) |
| Support services: | | | | |
| Pupil | 1,005,199 | 628,937 | 1,049,925 | 658,170 |
| Instructional staff | 313,589 | 313,589 | 353,547 | 353,547 |
| Board of education | 66,714 | 66,714 | 63,495 | 63,495 |
| Administration | 2,050,176 | 1,447,951 | 2,118,097 | 1,956,550 |
| Fiscal | 436,027 | 436,027 | 425,956 | 420,956 |
| Business | 314,506 | 314,506 | 279,460 | 279,460 |
| Operations and maintenance | 1,683,837 | 1,649,417 | 2,953,725 | 2,942,818 |
| Pupil transportation | 45,704 | 45,704 | 26,482 | 26,482 |
| Central | 535,278 | 533,478 | 514,531 | 514,531 |
| Operations of non-instructional services | | | | |
| Food service operations | 366,849 | (25,510) | 363,718 | (6,626) |
| Other non-instructional services | 279,735 | 23,989 | 243,643 | 13,067 |
| Interest and fiscal charges | 149,198 | 149,198 | 160,148 | 160,148 |
| Total expenses | \$ 18,084,836 | \$ 12,072,427 | \$ 19,308,387 | \$ 14,007,110 |

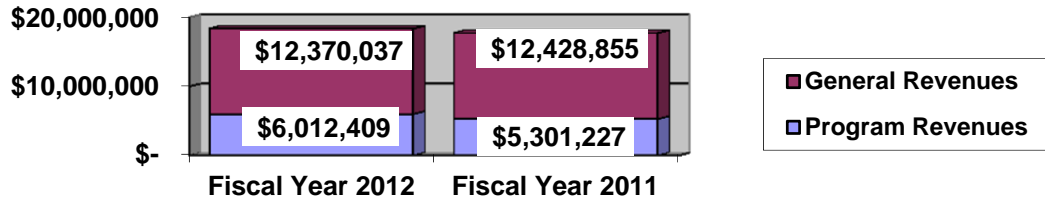
The dependence upon tax and other general revenues for governmental activities is apparent, 59.87% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 66.75%. The Career Center's taxpayers and unrestricted grants and entitlements, as a whole, are the primary support for the Career Center's students.

The graph below presents the Career Center's governmental activities revenue for fiscal years 2012 and 2011.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Governmental Activities - General and Program Revenues



The Career Center's Funds

At June 30, 2012, the Career Center's governmental funds reported a combined fund balance of \$5,638,141, which is greater than last year's total restated balance of \$5,410,105 (as described in Note 3.B). The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and June 30, 2011.

| | Fund Balance June 30, 2012 | Restated Fund Balance (Deficit) June 30, 2011 | Increase/ (Decrease) |
|--------------------|-------------------------------|---|-------------------------|
| General | \$ 5,029,155 | \$ 5,147,225 | \$ (118,070) |
| Adult education | 78,059 | 315,299 | (237,240) |
| Other governmental | 530,927 | (52,419) | 583,346 |
| Total | \$ 5,638,141 | \$ 5,410,105 | \$ 228,036 |

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

General Fund

The Career Center's general fund's fund balance decreased \$118,070 from a restated balance of \$5,147,225 to \$5,029,155. The table that follows assists in illustrating the fiscal year 2012 revenues and expenditures of the general fund.

| | 2012 Amount | Restated 2011 Amount | Percentage Change |
|------------------------------|---------------------|----------------------------|----------------------|
| Revenues | | | |
| Property taxes | \$ 6,724,370 | \$ 5,825,497 | 15.43% |
| Tuition | 14,100 | 15,925 | -11.46% |
| Earnings on investments | 8,741 | 24,582 | -64.44% |
| Extracurricular | 9,300 | 12,098 | -23.13% |
| Classroom materials and fees | 95,587 | 92,514 | 3.32% |
| Other | 207,420 | 235,656 | -11.98% |
| Intergovernmental | 6,196,246 | 6,462,835 | -4.12% |
| Total | \$13,255,764 | \$ 12,669,107 | 4.63% |

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

| | 2012 Amount | Restated 2011 Amount | Percentage Change |
|---|-------------------------|----------------------------|----------------------|
| <u>Expenditures</u> | | | |
| Instruction | \$ 6,632,259 | \$ 6,651,675 | -0.29% |
| Support services | 5,258,476 | 5,258,411 | 0.00% |
| Operation of non-instructional services | 279,735 | 243,643 | 14.81% |
| Facilities acquisition and construction | 250,131 | 197,784 | 26.47% |
| Debt service | <u>401,642</u> | <u>388,623</u> | 3.35% |
| Total | <u>\$12,822,243</u> | <u>\$ 12,740,136</u> | 0.64% |

Tax revenue increased \$898,873 or 15.43% in fiscal year 2012 primarily due to the Career Center receiving its first full year of new tax revenues from the replacement levy passed in November 2010. Earnings on investments decreased \$15,841 or 64.44% primarily due to declining interest rates. All other revenues and expenditures remained comparable to fiscal year 2011 due to the Career Center's effort to remain fiscally responsible during difficult economic times.

Adult Education Fund

The Career Center's adult education fund's fund balance decreased by \$237,240, from \$315,299 to \$78,059. The table that follows assists in illustrating the fiscal year 2012 revenues and expenditures of the adult education fund.

| | 2012 Amount | 2011 Amount | Percentage Change |
|----------------------------|-------------------------|-------------------------|----------------------|
| <u>Revenues</u> | | | |
| Tuition | \$ 2,366,235 | \$ 2,144,130 | 10.36% |
| Intergovernmental | 492,850 | 507,413 | -2.87% |
| Other | <u>100,195</u> | <u>85,253</u> | 17.53% |
| Total | <u>\$ 2,959,280</u> | <u>\$ 2,736,796</u> | 8.13% |
| <u>Expenditures</u> | | | |
| Instruction | \$ 2,531,039 | \$ 2,458,703 | 2.94% |
| Support services | <u>672,589</u> | <u>598,054</u> | 12.46% |
| Total | <u>\$ 3,203,628</u> | <u>\$ 3,056,757</u> | 4.80% |

Overall revenues and expenditures increased due to an increase in adult education services provided by the Career Center to its students during fiscal year 2012.

General Fund Budgeting Highlights

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

For the general fund, final budgeted revenues and other financing sources of \$12,722,559 were \$40 less than original budgeted revenues and other financing sources of \$12,722,599. Actual revenues and other financing sources for fiscal year 2012 were \$12,999,233. This represents a \$276,674 increase over the final budgeted amounts.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

General fund original appropriations (appropriated expenditures plus other financing uses) of \$13,721,326 equaled the final budgeted appropriations and other financing uses. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$13,454,063, which was \$267,263 lower than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the Career Center had \$1,395,090 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2012 balances compared to June 30, 2011.

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

| | Governmental Activities | |
|----------------------------|-------------------------|---------------------|
| | 2012 | 2011 |
| Land | \$ 396,420 | \$ 396,420 |
| Buildings and improvements | 629,563 | 769,714 |
| Furniture and equipment | 313,614 | 244,428 |
| Vehicles | 55,493 | 42,693 |
| Total | <u>\$ 1,395,090</u> | <u>\$ 1,453,255</u> |

The overall decrease in capital assets of \$58,165 is due to current year depreciation expense of \$278,390 exceeding additions of \$232,336 as well as net disposals of \$12,111.

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

Debt Administration

At June 30, 2012, the Career Center had \$1,246,000 in school improvement notes outstanding, \$1,560,000 in energy conservation notes outstanding, and a \$61,424 tap-in fees liability outstanding. Of this total, \$256,975 is due within one year and \$2,610,449 is due in more than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

| | Governmental Activities 2012 | Governmental Activities 2011 |
|---------------------------|------------------------------------|------------------------------------|
| School improvement notes | \$ 1,246,000 | \$ 1,364,000 |
| Energy conservation notes | 1,560,000 | 1,680,000 |
| Tap-in fees liability | 61,424 | - |
| | <u>\$ 2,867,424</u> | <u>\$ 3,044,000</u> |

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Current Financial Related Activities

The Career Center is reporting an overall increase in net assets of \$297,610 using the accrual accounting GASB 34 Model. As the financial statements report, the Career Center relies heavily upon grants, entitlements, and local property taxes (over 66% of general revenues). The reduction in tangible personal property tax revenues of approximately \$250,000 each year ending in 2011 has had an effect on the revenues collected locally. Revenues from the State of Ohio were dedicated to replace those lost, but the 2012-2013 State Budget will reduce these replacement dollars by over \$500,000.

The Career Center experienced an increase in real property tax revenue in fiscal year 2012, which is a result of the passage of the Career Center's 1½ mill replacement levy in November 2010 first collected in fiscal year 2012. This levy will provide an additional \$1,800,000 in tax revenue beginning in 2012 and generate \$4.3 million per year. The Career Center renewed a ½ mill levy in 2008 for five years. The Career Center plans to place a renewal of this levy on the ballot again in 2013. Both of these levies are vital to the continued financial stability of the Career Center.

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

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

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

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

Contacting the Career Center's Financial Management

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2012

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents. | \$ 5,560,768 |
| Receivables: | |
| Taxes | 7,907,731 |
| Accounts. | 90,553 |
| Accrued interest | 3,871 |
| Intergovernmental | 144,455 |
| Prepayments | 27,805 |
| Materials and supplies inventory. | 51,935 |
| Capital assets: | |
| Land. | 396,420 |
| Depreciable capital assets, net. | 998,670 |
| Capital assets, net | 1,395,090 |
| Total assets. | 15,182,208 |
| Liabilities: | |
| Accounts payable. | 71,593 |
| Accrued wages and benefits | 852,483 |
| Pension obligation payable. | 220,318 |
| Intergovernmental payable | 79,061 |
| Accrued interest payable | 8,110 |
| Unearned revenue | 6,334,029 |
| Long-term liabilities: | |
| Due within one year. | 300,071 |
| Due in more than one year. | 3,431,117 |
| Total liabilities | 11,296,782 |
| Net Assets: | |
| Invested in capital assets, net of related debt. | 149,090 |
| Restricted for: | |
| State funded programs. | 1,480 |
| Federally funded programs | 36,410 |
| Adult education. | 34,024 |
| Other purposes | 6,943 |
| Unrestricted | 3,657,479 |
| Total net assets | \$ 3,885,426 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets |
|--|----------------------|-----------------------------------|---------------------------------------|--|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 899,270 | \$ - | \$ - | \$ (899,270) |
| Special | 435,757 | - | - | (435,757) |
| Vocational | 5,447,513 | 14,250 | 596,909 | (4,836,354) |
| Adult continuing education | 4,055,484 | 1,908,245 | 1,830,193 | (317,046) |
| Support services: | | | | |
| Pupil | 1,005,199 | 29,540 | 346,722 | (628,937) |
| Instructional staff | 313,589 | - | - | (313,589) |
| Board of education | 66,714 | - | - | (66,714) |
| Administration | 2,050,176 | 454,144 | 148,081 | (1,447,951) |
| Fiscal | 436,027 | - | - | (436,027) |
| Business | 314,506 | - | - | (314,506) |
| Operations and maintenance | 1,683,837 | 29,505 | 4,915 | (1,649,417) |
| Pupil transportation | 45,704 | - | - | (45,704) |
| Central | 535,278 | - | 1,800 | (533,478) |
| Operation of non-instructional services: | | | | |
| Food service operations | 366,849 | 210,501 | 181,858 | 25,510 |
| Other non-instructional services | 279,735 | 255,746 | - | (23,989) |
| Interest and fiscal charges | 149,198 | - | - | (149,198) |
| Totals | \$ 18,084,836 | \$ 2,901,931 | \$ 3,110,478 | (12,072,427) |
| General Revenues: | | | | |
| Property taxes levied for: | | | | |
| General purposes | | | | 6,600,741 |
| Grants and entitlements not restricted to specific programs | | | | 5,654,067 |
| Investment earnings | | | | 9,067 |
| Miscellaneous | | | | 106,162 |
| Total general revenues | | | | 12,370,037 |
| Change in net assets | | | | 297,610 |
| Net assets at beginning of year | | | | 3,587,816 |
| Net assets at end of year | | | | \$ 3,885,426 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

| | <u>General</u> | <u>Adult Education</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|----------------------------|---|---|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 4,856,720 | \$ 108,148 | \$ 595,900 | \$ 5,560,768 |
| Receivables: | | | | |
| Taxes. | 7,907,731 | - | - | 7,907,731 |
| Accounts. | 6,635 | 83,918 | - | 90,553 |
| Intergovernmental. | 346 | 49,894 | 94,215 | 144,455 |
| Accrued interest | 3,871 | - | - | 3,871 |
| Interfund loans | 107,582 | - | - | 107,582 |
| Prepayments. | 19,305 | 8,500 | - | 27,805 |
| Materials and supplies inventory. | 8,634 | 36,939 | 6,362 | 51,935 |
| Total assets | <u>\$ 12,910,824</u> | <u>\$ 287,399</u> | <u>\$ 696,477</u> | <u>\$ 13,894,700</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 54,395 | \$ 4,386 | \$ 12,812 | \$ 71,593 |
| Accrued wages and benefits. | 761,903 | 60,900 | 29,680 | 852,483 |
| Compensated absences payable | 13,900 | 29,196 | - | 43,096 |
| Pension obligation payable | 196,905 | 11,700 | 11,713 | 220,318 |
| Intergovernmental payable | 66,173 | 9,125 | 3,763 | 79,061 |
| Interfund loans payable. | - | - | 107,582 | 107,582 |
| Deferred revenue | 460,848 | 87,549 | - | 548,397 |
| Unearned revenue. | 6,327,545 | 6,484 | - | 6,334,029 |
| Total liabilities. | <u>7,881,669</u> | <u>209,340</u> | <u>165,550</u> | <u>8,256,559</u> |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Materials and supplies inventory. | 8,634 | 36,939 | 6,362 | 51,935 |
| Prepays. | 19,305 | 8,500 | - | 27,805 |
| Unclaimed monies | 3,545 | - | - | 3,545 |
| Restricted: | | | | |
| Adult education | - | 32,620 | - | 32,620 |
| Food service operations | - | - | 5,585 | 5,585 |
| Other purposes. | - | - | 37,890 | 37,890 |
| Committed: | | | | |
| Capital improvements | - | - | 512,713 | 512,713 |
| Assigned: | | | | |
| Student instruction | 44,356 | - | - | 44,356 |
| Student and staff support. | 42,253 | - | - | 42,253 |
| Facilities acquisition and construction | 28,373 | - | - | 28,373 |
| School supplies. | 2,617 | - | - | 2,617 |
| Other purposes. | 77,761 | - | - | 77,761 |
| Unassigned (deficit) | 4,802,311 | - | (31,623) | 4,770,688 |
| Total fund balances. | <u>5,029,155</u> | <u>78,059</u> | <u>530,927</u> | <u>5,638,141</u> |
| Total liabilities and fund balances | <u>\$ 12,910,824</u> | <u>\$ 287,399</u> | <u>\$ 696,477</u> | <u>\$ 13,894,700</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

| | | |
|--|-------------|---------------------|
| Total governmental fund balances | | \$ 5,638,141 |
| <i>Amounts reported for governmental activities on the statement of net assets are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 1,395,090 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Taxes receivable | \$ 453,368 | |
| Accounts and intergovernmental receivables | 94,087 | |
| Accrued interest receivable | 942 | |
| Total | 548,397 | 548,397 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | (8,110) |
| Long-term liabilities, including notes payable and tap-in fees liability, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences payable | (820,668) | |
| Notes payable | (2,806,000) | |
| Tap-in fees liability | (61,424) | |
| Total | (3,688,092) | (3,688,092) |
| Net assets of governmental activities | | \$ 3,885,426 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | General | Adult Education | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------|--------------------------------|--------------------------------|
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 6,724,370 | \$ - | \$ - | \$ 6,724,370 |
| Tuition | 14,100 | 2,366,235 | - | 2,380,335 |
| Earnings on investments | 8,741 | - | 14 | 8,755 |
| Extracurricular | 9,300 | - | - | 9,300 |
| Classroom materials and fees | 95,587 | - | - | 95,587 |
| Charges for services | - | - | 210,501 | 210,501 |
| Other local revenues | 207,420 | 100,195 | 14,184 | 321,799 |
| Intergovernmental | 6,196,246 | 492,850 | 2,065,435 | 8,754,531 |
| Total revenues | <u>13,255,764</u> | <u>2,959,280</u> | <u>2,290,134</u> | <u>18,505,178</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 883,027 | - | - | 883,027 |
| Special | 483,574 | - | - | 483,574 |
| Vocational | 5,265,658 | - | 28,694 | 5,294,352 |
| Adult continuing education | - | 2,531,039 | 1,420,495 | 3,951,534 |
| Support services: | | | | |
| Pupil | 626,466 | 39,165 | 336,596 | 1,002,227 |
| Instructional staff | 308,439 | - | - | 308,439 |
| Board of education | 66,061 | - | - | 66,061 |
| Administration | 1,410,302 | 602,109 | 53,404 | 2,065,815 |
| Fiscal | 433,785 | - | - | 433,785 |
| Business | 313,885 | - | - | 313,885 |
| Operations and maintenance | 1,531,698 | 31,315 | - | 1,563,013 |
| Pupil transportation | 45,704 | - | - | 45,704 |
| Central | 522,136 | - | 1,800 | 523,936 |
| Operation of non-instructional services: | | | | |
| Operation of non-instructional | 279,735 | - | - | 279,735 |
| Food service operations | - | - | 364,818 | 364,818 |
| Facilities acquisition and construction | 250,131 | - | 306,072 | 556,203 |
| Debt service: | | | | |
| Principal retirement | 248,295 | - | - | 248,295 |
| Interest and fiscal charges | 153,347 | - | - | 153,347 |
| Total expenditures | <u>12,822,243</u> | <u>3,203,628</u> | <u>2,511,879</u> | <u>18,537,750</u> |
| Excess (deficiency) of revenues over (under) expenditures | 433,521 | (244,348) | (221,745) | (32,572) |
| Other financing sources (uses): | | | | |
| Transfers in | - | 50,000 | 500,000 | 550,000 |
| Transfers (out) | (550,000) | - | - | (550,000) |
| Total other financing sources (uses) | (550,000) | 50,000 | 500,000 | - |
| Extraordinary item: | | | | |
| Insurance recoveries | - | - | 304,751 | 304,751 |
| Net change in fund balances | (116,479) | (194,348) | 583,006 | 272,179 |
| Fund balances (deficit) at beginning of year (restated) | 5,147,225 | 315,299 | (52,419) | 5,410,105 |
| Increase (decrease) in reserve for inventory | (1,591) | (42,892) | 340 | (44,143) |
| Fund balances at end of year | \$ 5,029,155 | \$ 78,059 | \$ 530,927 | \$ 5,638,141 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | | |
|--|------------------|-----------------------|
| Net change in fund balances - total governmental funds | \$ | 272,179 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period. | | |
| Capital asset additions | \$ 232,336 | |
| Current year depreciation | <u>(278,390)</u> | |
| Total | | (46,054) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. | | |
| | | (12,111) |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. | | |
| | | (44,143) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | (123,629) | |
| Tuition | (807) | |
| Earnings on investments | 326 | |
| Classroom materials and fees | 1,258 | |
| Other local revenues | <u>120</u> | |
| Total | | (122,732) |
| Repayment of note and tap-in fee liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. | | |
| | | 248,295 |
| The incurrence of a long-term liability related to tap-in fees is recorded as an expenditure in the statement of activities as it increases liabilities on the statement of net assets. | | |
| | | (71,719) |
| In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due. | | |
| | | 4,149 |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | <u>69,746</u> |
| Change in net assets of governmental activities | \$ | <u>297,610</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 6,314,031 | \$ 6,314,031 | \$ 6,502,390 | \$ 188,359 |
| Tuition | 15,000 | 15,000 | 14,100 | (900) |
| Earnings on investments | 25,197 | 25,197 | 11,145 | (14,052) |
| Other local revenues | 86,916 | 86,876 | 43,761 | (43,115) |
| Intergovernmental | <u>6,055,455</u> | <u>6,055,455</u> | <u>6,199,323</u> | <u>143,868</u> |
| Total revenues | <u>12,496,599</u> | <u>12,496,559</u> | <u>12,770,719</u> | <u>274,160</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 970,264 | 910,264 | 907,722 | 2,542 |
| Special | 492,796 | 500,896 | 497,292 | 3,604 |
| Vocational | 5,421,707 | 5,536,307 | 5,379,333 | 156,974 |
| Support services: | | | | |
| Pupil | 641,875 | 628,375 | 627,006 | 1,369 |
| Instructional staff | 322,374 | 305,174 | 302,589 | 2,585 |
| Board of education | 61,712 | 69,612 | 66,661 | 2,951 |
| Administration | 1,478,262 | 1,445,862 | 1,441,809 | 4,053 |
| Fiscal | 384,961 | 411,461 | 409,749 | 1,712 |
| Business | 291,100 | 290,500 | 290,233 | 267 |
| Operations and maintenance | 1,664,163 | 1,597,863 | 1,589,364 | 8,499 |
| Pupil transportation | 21,800 | 57,000 | 56,228 | 772 |
| Central | 502,614 | 542,214 | 534,265 | 7,949 |
| Facilities acquisition and construction | 330,550 | 284,650 | 280,184 | 4,466 |
| Debt service: | | | | |
| Principal | 234,000 | 238,000 | 238,000 | - |
| Interest and fiscal charges | 153,148 | 153,148 | 152,314 | 834 |
| Total expenditures | <u>12,971,326</u> | <u>12,971,326</u> | <u>12,772,749</u> | <u>198,577</u> |
| Excess of expenditures over revenues | <u>(474,727)</u> | <u>(474,767)</u> | <u>(2,030)</u> | <u>472,737</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year expenditures | 10,000 | 10,000 | 3,827 | (6,173) |
| Transfers (out) | (600,000) | (600,000) | (570,000) | 30,000 |
| Advances in | 206,000 | 206,000 | 210,621 | 4,621 |
| Advances (out) | (150,000) | (150,000) | (111,314) | 38,686 |
| Sale of assets | 10,000 | 10,000 | 14,066 | 4,066 |
| Total other financing sources (uses) | <u>(524,000)</u> | <u>(524,000)</u> | <u>(452,800)</u> | <u>71,200</u> |
| Net change in fund balance | (998,727) | (998,767) | (454,830) | 543,937 |
| Fund balance at beginning of year | 4,882,452 | 4,882,452 | 4,882,452 | - |
| Prior year encumbrances appropriated | 157,031 | 157,031 | 157,031 | - |
| Fund balance at end of year | <u>\$ 4,040,756</u> | <u>\$ 4,040,716</u> | <u>\$ 4,584,653</u> | <u>\$ 543,937</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ADULT EDUCATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| From local sources: | | | | |
| Tuition | \$ 2,631,570 | \$ 2,352,965 | \$ 2,378,562 | \$ 25,597 |
| Other local revenues | 67,440 | 60,300 | 100,195 | 39,895 |
| Intergovernmental | 563,676 | 504,000 | 492,850 | (11,150) |
| Total revenues | <u>3,262,686</u> | <u>2,917,265</u> | <u>2,971,607</u> | <u>54,342</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Adult continuing education | 2,662,324 | 2,561,624 | 2,558,272 | 3,352 |
| Support services: | | | | |
| Pupil | 58,451 | 40,451 | 40,294 | 157 |
| Administration | 528,072 | 579,572 | 579,786 | (214) |
| Operations and maintenance | 32,250 | 32,250 | 31,872 | 378 |
| Total expenditures | <u>3,281,097</u> | <u>3,213,897</u> | <u>3,210,224</u> | <u>3,673</u> |
| Excess of expenditures over revenues | <u>(18,411)</u> | <u>(296,632)</u> | <u>(238,617)</u> | <u>58,015</u> |
| Other financing sources: | | | | |
| Refund of prior year expenditures | - | - | 482 | 482 |
| Transfers in | 55,920 | 50,000 | 50,000 | - |
| Total other financing sources | <u>55,920</u> | <u>50,000</u> | <u>50,482</u> | <u>482</u> |
| Net change in fund balance | 37,509 | (246,632) | (188,135) | 58,497 |
| Fund balance at beginning of year | 226,266 | 226,266 | 226,266 | - |
| Prior year encumbrances appropriated | 41,479 | 41,479 | 41,479 | - |
| Fund balance at end of year | <u>\$ 305,254</u> | <u>\$ 21,113</u> | <u>\$ 79,610</u> | <u>\$ 58,497</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

| | <u>Agency</u> |
|---|-------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | <u>\$ 23,872</u> |
| Total assets. | <u><u>\$ 23,872</u></u> |
| Liabilities: | |
| Due to students. | <u>\$ 23,872</u> |
| Total liabilities | <u><u>\$ 23,872</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE CAREER CENTER

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

Average daily membership (ADM) as of October 1, 2011, was 816. The Career Center employed 9 administrative and supervisory personnel, 67 certified employees and 48 non-certified employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Career Center. For the Career Center, this includes general operations, food service and student related activities of the Career Center.

Component units are legally separate organizations for which the Career Center is financially accountable. The Career Center is financially accountable for an organization if the Career Center appoints a voting majority of the organization's Governing Board and (1) the Career Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Career Center is legally entitled to or can otherwise access the organization's resources; or (3) the Career Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Career Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Career Center in that the Career Center approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the Career Center has no component units. The basic financial statements of the reporting entity include only those of the Career Center (the primary government).

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

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

JOINTLY GOVERNED ORGANIZATIONS

The Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among area schools. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among members. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of a dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. The NOECA assembly consists of a superintendent from each participating school and representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating schools are located. The degree of control exercised by any participating school is limited to its representation on the Board. The Career Center paid \$69,723 to NOECA for services during fiscal year 2012. Financial information can be obtained by contacting Betty Schwiefert, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Bay Area Council of Governments

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

Members of the Board serve two-year terms which are staggered. The Career Center paid \$27,920 to the Bay Area Council of Governments for services during fiscal year 2012. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal officer, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

PUBLIC ENTITY RISK POOLS

Health Benefits

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

Workers' Compensation

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

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

B. Fund Accounting

The Career Center uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Career Center activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The Career Center has no proprietary funds.

GOVERNMENTAL FUNDS

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

Other governmental funds of the Career Center are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources)

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

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

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

D. Basis of Accounting

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

tuition and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue in the governmental funds.

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

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

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

E. Budgets

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

Tax Budget:

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

Estimated Resources:

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

Career Center Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final amended certificates of estimated resources issued during the fiscal year.

Appropriations:

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

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

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

During fiscal year 2012, investments were limited to non-negotiable certificates of deposit, investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), commercial paper and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

The Career Center has invested funds in STAR Ohio during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$8,741, which includes \$844 assigned from other Career Center funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

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

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

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

| Description | Governmental Activities Estimated Lives |
|----------------------------|---|
| Buildings and improvements | 25 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 6 - 10 years |

I. Interfund Balances

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

J. Compensated Absences

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Career Center is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Career Center Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Career Center Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Career Center for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Career Center Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Career Center applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

M. Net Assets

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

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

P. Interfund Activity

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

Interfund activities between governmental funds are eliminated in the statement of activities.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2012, the Career Center received \$304,751 in insurance proceeds resulting from severe weather that damaged Career Center property. This amount is reported as an extraordinary item in the fund financial statements and is eliminated in the statement of

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

activities against the related expenses paid out by the Career Center for various repairs. No special item transactions occurred during fiscal year 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the Career Center has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the Career Center.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the Career Center.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with Auditor of State Bulletin 2011-004. These fund reclassifications had the following effect on the Career Center's governmental fund balances as previously reported:

| | <u>General</u> | <u>Adult Education</u> | <u>Nonmajor Governmental</u> | <u>Total Governmental</u> |
|---|---------------------|----------------------------|----------------------------------|-------------------------------|
| Fund balance (deficit) as previously reported | \$ 5,138,236 | \$ 315,299 | \$ (43,430) | \$ 5,410,105 |
| Fund reclassifications: | | | | |
| Uniform school supplies fund | <u>8,989</u> | | <u>(8,989)</u> | |
| Total fund reclassifications | <u>8,989</u> | | <u>(8,989)</u> | |
| Restated fund balance (deficit) at July 1, 2011 | <u>\$ 5,147,225</u> | <u>\$ 315,299</u> | <u>\$ (52,419)</u> | <u>\$ 5,410,105</u> |

The fund reclassifications did not have an effect on net assets as previously reported.

C. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

| <u>Nonmajor governmental funds</u> | <u>Deficit</u> |
|------------------------------------|----------------|
| Other grants | \$ 18,058 |
| Public school preschool | 61 |
| Vocational education | 13,504 |

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances are a result of adjustments for accrued liabilities and the reporting of short-term interfund loans as a fund liability rather than as an other financing source.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all Career Center deposits was \$3,219,356. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$1,679,489 of the Career Center's bank balance of \$3,365,118 was exposed to custodial risk as discussed below, while \$1,685,629 was covered by the FDIC.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

C. Investments

As of June 30, 2012, the Career Center had the following investments and maturities:

| Investment type | Fair Value | Investment Maturities | | | |
|------------------|---------------------|-----------------------|----------------|-------------------|-------------------|
| | | 6 months or less | 7 to 12 months | 13 to 18 months | 19 to 24 months |
| FFCB | \$ 748,975 | | | \$ 249,375 | \$ 499,600 |
| Commercial paper | 499,567 | \$ 499,567 | | | |
| STAR Ohio | 1,116,472 | 1,116,472 | | | |
| Total | \$ 2,365,014 | \$ 1,616,039 | | \$ 249,375 | \$ 499,600 |

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

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

Credit Risk: The Career Center's investments in federal agency securities were rated AA+ and Aaa by Moody's Investor Services and Standard & Poor's, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Moody's Investor Services and Standard & Poor's has assigned the commercial paper held by the Career Center an A1+ and P1 rating, respectively. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Career Center's investment policy does not address investment credit risk beyond the requirements of State statutes.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The Career Center places no dollar limit on the amount that may be invested in any one issuer however, the Career Center's investment policy requires an effort to diversify its holdings of investments by avoiding concentrations of specific issuers. State statute limits investments in commercial paper to 25% of the interim monies available for investment at any one time. The following table includes the percentage of each investment type held by the Career Center at June 30, 2012:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------|---------------------|-------------------|
| FFCB | \$ 748,975 | 31.67 |
| Commercial paper | 499,567 | 21.12 |
| STAR Ohio | <u>1,116,472</u> | <u>47.21</u> |
| Total | <u>\$ 2,365,014</u> | <u>100.00</u> |

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

| | |
|---|---------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 3,219,356 |
| Investments | 2,365,014 |
| Cash on hand | <u>270</u> |
| Total | <u>\$ 5,584,640</u> |
| <u>Cash and investments per statement of net assets</u> | |
| Governmental activities | \$ 5,560,768 |
| Agency funds | <u>23,872</u> |
| Total | <u>\$ 5,584,640</u> |

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2012 as reported on the fund financial statements, consist of the following individual interfund loans receivable and payable:

| <u>Receivable fund</u> | <u>Payable funds</u> | <u>Amount</u> |
|------------------------|-----------------------------|-------------------|
| General | Nonmajor governmental funds | \$ <u>107,582</u> |

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the statement of net assets.

- B. Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

| Transfers from general fund to: | <u>Amount</u> |
|---------------------------------|-------------------|
| Adult education | \$ 50,000 |
| Nonmajor governmental fund | <u>500,000</u> |
| Total | \$ <u>550,000</u> |

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located within the taxing area of the Career Center. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the Career Center's fiscal year ended June 30, 2012 (other than public utility property) generally represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010 on the value as of December 31, 2010. Amounts paid by multi-county taxpayers were due September 20, 2011. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2011, with the remainder payable by September 20, 2011.

The Career Center receives property taxes from Erie, Huron, Ottawa, Sandusky, Seneca, Richland and Lorain Counties. The County Auditors periodically advance to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$1,126,818 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$937,208 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

| | 2011 Second Half Collections | | 2012 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 2,984,974,910 | 96.18 | \$ 2,994,395,250 | 96.42 |
| Public utility personal | 110,332,520 | 3.55 | 111,260,310 | 3.58 |
| Tangible personal property | <u>8,372,296</u> | <u>0.27</u> | <u></u> | <u></u> |
| Total | <u>\$ 3,103,679,726</u> | <u>100.00</u> | <u>\$ 3,105,655,560</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 3.95 | | \$ 3.95 | |

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

Governmental activities:

| | |
|-------------------|---------------------|
| Taxes | \$ 7,907,731 |
| Accounts | 90,553 |
| Intergovernmental | 144,455 |
| Accrued interest | <u>3,871</u> |
| Total | <u>\$ 8,146,610</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

| | Balance 06/30/11 | Additions | Deductions | Balance 06/30/12 |
|---|---------------------|-------------|-------------|---------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 396,420 | | | \$ 396,420 |
| Total capital assets, not being depreciated | 396,420 | | | 396,420 |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings and improvements | 4,635,015 | | | 4,635,015 |
| Furniture and equipment | 1,396,002 | \$ 188,896 | \$ (10,732) | 1,574,166 |
| Vehicles | 346,489 | 43,440 | (62,851) | 327,078 |
| Total capital assets, being depreciated | 6,377,506 | 232,336 | (73,583) | 6,536,259 |
| <i>Less: accumulated depreciation</i> | | | | |
| Buildings and improvements | (3,865,301) | (140,151) | | (4,005,452) |
| Furniture and equipment | (1,151,574) | (119,710) | 10,732 | (1,260,552) |
| Vehicles | (303,796) | (18,529) | 50,740 | (271,585) |
| Total accumulated depreciation | (5,320,671) | (278,390) | 61,472 | (5,537,589) |
| Governmental activities capital assets, net | \$ 1,453,255 | \$ (46,054) | \$ (12,111) | \$ 1,395,090 |

Depreciation expense was charged to governmental functions as follows:

| | | |
|----------------------------|--|------------------|
| <u>Instruction:</u> | | |
| Regular | | \$ 4,571 |
| Special | | 3,023 |
| Vocational | | 187,439 |
| Adult continuing education | | 42,470 |
| <u>Support Services:</u> | | |
| Pupil | | 1,042 |
| Instructional staff | | 2,970 |
| Board of education | | 653 |
| Administration | | 5,684 |
| Fiscal | | 789 |
| Operations and maintenance | | 27,396 |
| Central | | 531 |
| Food service operations | | 1,822 |
| Total depreciation expense | | <u>\$278,390</u> |

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS

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

| | Balance Outstanding <u>06/30/11</u> | <u>Additions</u> | <u>Reductions</u> | Balance Outstanding <u>06/30/12</u> | Amounts Due in <u>One Year</u> |
|---------------------------------|---|-------------------|---------------------|---|--------------------------------------|
| Governmental activities: | | | | | |
| School improvement notes | \$ 1,364,000 | | \$ (118,000) | \$ 1,246,000 | \$ 123,000 |
| Energy conservation notes | 1,680,000 | | (120,000) | 1,560,000 | 120,000 |
| Tap-in fees liability | | \$ 71,719 | (10,295) | 61,424 | 13,975 |
| Compensated absences | <u>952,676</u> | <u>90,470</u> | <u>(179,382)</u> | <u>863,764</u> | <u>43,096</u> |
| Total governmental activities | <u>\$ 3,996,676</u> | <u>\$ 162,189</u> | <u>\$ (427,677)</u> | <u>\$ 3,731,188</u> | <u>\$ 300,071</u> |

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

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

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

Principal and interest payments in fiscal year 2012 totaled \$118,000 and \$62,014, respectively. These amounts are reported as debt service expenditures in the general fund.

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 2013 | \$ 123,000 | \$ 53,687 | \$ 176,687 |
| 2014 | 128,000 | 48,308 | 176,308 |
| 2015 | 134,000 | 42,711 | 176,711 |
| 2016 | 140,000 | 36,852 | 176,852 |
| 2017 | 145,000 | 30,732 | 175,732 |
| 2018 - 2022 | 541,000 | 58,774 | 599,774 |
| 2023 | <u>35,000</u> | <u>746</u> | <u>35,746</u> |
| Total | <u>\$ 1,246,000</u> | <u>\$ 271,810</u> | <u>\$ 1,517,810</u> |

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

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

Principal and interest payments in fiscal year 2012 totaled \$120,000 and \$90,300, respectively. These amounts are reported as debt service expenditures in the general fund.

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 2013 | \$ 120,000 | \$ 83,850 | \$ 203,850 |
| 2014 | 120,000 | 77,400 | 197,400 |
| 2015 | 120,000 | 70,950 | 190,950 |
| 2016 | 120,000 | 64,500 | 184,500 |
| 2017 | 120,000 | 58,050 | 178,050 |
| 2018 - 2022 | 600,000 | 193,500 | 793,500 |
| 2023 - 2025 | <u>360,000</u> | <u>38,700</u> | <u>398,700</u> |
| Total | <u>\$ 1,560,000</u> | <u>\$ 586,950</u> | <u>\$ 2,146,950</u> |

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

Tap-in Fees Liability: On August 25, 2011, the Career Center entered into an agreement with the Board of County Commissioners of Erie County (the "County") to connect the Career Center to certain sanitary sewer improvements of the County. The charges associated with the privilege of "tapping in" to said improvements will be passed on to the Career Center in a total principal amount of \$71,719 at a monthly interest rate of 0.1708%. The obligation is currently scheduled to mature in fiscal year 2017.

Tap-in fees liability payments have been reclassified and are reflected as debt service expenditures in the general fund. These expenditures are reported as function expenditures on the budgetary statement. Principal and interest payments in fiscal year 2012 totaled \$10,295 and \$1,033, respectively.

The following is a summary of the future debt service requirements to maturity for the tap-in fees liability:

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|------------------|
| 2013 | \$ 13,975 | \$ 1,128 | \$ 15,103 |
| 2014 | 14,264 | 839 | 15,103 |
| 2015 | 14,560 | 544 | 15,104 |
| 2016 | 14,861 | 243 | 15,104 |
| 2017 | <u>3,764</u> | <u>12</u> | <u>3,776</u> |
| Total | <u>\$ 61,424</u> | <u>\$ 2,766</u> | <u>\$ 64,190</u> |

Legal Debt Margin: The Ohio Revised Code provides that voted net general obligation debt of the Career Center shall never exceed 9% of the total assessed valuation of the Career Center. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the Career Center. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the Career Center. The assessed valuation used in determining the Career Center's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the Career Center's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$279,509,000 and an unvoted debt margin of \$3,105,656.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Sick Leave

Each full time professional staff member is entitled to 15 days sick leave with pay for each year under contract and accrues sick leave at the rate of 1¼ days for each calendar month under contract. Sick leave is cumulative to 330 days for certified employees and 272 days for non-certified employees.

B. Service Retirement Benefits

1. Certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is 25% of the certified employee's accrued, but unused sick leave days at the time of retirement based on their daily rate times the value of the employee's eligible (82.50 days maximum) accrued, but unused sick leave days. Employees must have at least ten years of total retirement service and at least five years of service with the Career Center to become eligible to be entitled to the maximum of 82.50 days.
2. Certified employees who retire during the current contract will be paid \$225 for every year of service with the EHOVE Board of Education.
3. Non-certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is one-fourth of sick leave days accumulated, but not to exceed 68 days. Non-certified employees must have ten or more years of public service at the time of retirement.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 10 - OTHER EMPLOYEE BENEFITS (Continued)

4. Non-certified employees who retire during the current contract will be paid \$225 for every year of service with the EHOVE Board of Education.
5. Administration employees, certified, and non-certified non-union staff are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is that as set forth in the EHOVE Education Association contract for administrators and as set forth in the Ohio Association of Public School Employees (OAPSE) contract for non-certified employees.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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

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

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

B. Workers' Compensation Rating Plan

The Career Center participates in a workers' compensation group rating plan (the "plan"), an insurance purchasing pool (See Note 2.A.). The intent of the plan is to achieve the benefit of a reduced premium for the Career Center by virtue of its grouping and representation with other participants in the plan. Participants in the plan are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its plan tier rather than its individual rate.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 - RISK MANAGEMENT (Continued)

Participation in the plan is limited to schools than can meet the plan's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the Plan.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current Career Center rate is 14 percent of annual covered payroll. A portion of the Career Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Career Center's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$295,542, \$266,463 and \$365,344, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 12 - PENSION PLANS - (Continued)

contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The Career Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Career Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$915,618, \$868,376 and \$901,437, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The Career Center's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Career Center participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

The Career Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$48,599, \$68,064 and \$48,950, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The Career Center's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010 were \$17,453, \$17,148 and \$21,726, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The Career Center contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians'

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Career Center's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$70,432, \$66,798 and \$69,341, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

Net Change in Fund Balance

| | <u>General</u> | <u>Adult Education</u> |
|---|---------------------|------------------------|
| Budget basis | \$ (454,830) | \$ (188,135) |
| Net adjustment for revenue accruals | 225,273 | (12,327) |
| Net adjustment for expenditure accruals | 23,245 | (21,942) |
| Net adjustment for other sources/uses | (97,200) | (482) |
| Funds budgeted elsewhere | (284) | |
| Adjustment for encumbrances | <u>187,317</u> | <u>28,538</u> |
| GAAP basis | <u>\$ (116,479)</u> | <u>\$ (194,348)</u> |

Certain funds that are legally budgeted in separate Career Center fund classifications are considered part of the general fund on a GAAP basis. This includes the special trust fund, uniform school supplies fund and special rotary fund.

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 16 - SET-ASIDES

The Career Center is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures and other applicable offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 16 - SET-ASIDES (Continued)

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2011 | |
| Current year set-aside requirement | \$ 127,441 |
| Current year qualifying expenditures | (418,247) |
| Current year offsets | (500,000) |
| Prior year offset from note proceeds | |
| Total | <u>\$ (790,806)</u> |
| Balance carried forward to fiscal year 2013 | |
| Set-aside balance June 30, 2012 | |

In prior fiscal years, the Career Center issued \$1,927,000 in capital related school improvement notes. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from note proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The Career Center is responsible for tracking the amount of note proceeds that may be used as an offset in future periods, which was \$1,927,000 at June 30, 2012.

NOTE 17 - COMMITMENTS

The Career Center utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the Career Center's commitments for encumbrances in the governmental funds were as follows:

| | Year-End |
|--------------------|---------------------|
| <u>Fund</u> | <u>Encumbrances</u> |
| General | \$ 118,142 |
| Adult education | 23,876 |
| Other governmental | <u>66,733</u> |
| Total | <u>\$ 208,751</u> |

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 18 – SUBSEQUENT EVENT

In August 2012, the Career Center entered into a lease-purchase financing with the Agricultural Incubator Foundation (the "Foundation") through which the Career Center's land and buildings will be ground leased to the Foundation, and the Foundation will lease the land and buildings back to the Career Center for a series of rental payments. The Career Center will make improvements to the land and the buildings covered by the lease through the issuance by the Career Center of Certificates of Participation ("COPs") in such rental payments at a par amount of \$7.5 million. The rent paid by the Career Center pursuant to the sublease will pay for the debt service on the COPs.

Principal on the COPs is due each October 15, beginning October 15, 2013, through and including October 15, 2037. The Foundation has assigned all of its rights in the transaction to The Huntington National Bank, which is serving as the trustee for the COPs.

This page intentionally left blank.

**EHOVE CAREER CENTER
ERIE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Federal CFDA Number | Receipts | Disbursements |
|--|------------------------------------|----------------------------|----------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | |
| <u>Nutrition Cluster:</u> | | | |
| National School Lunch Program | | | |
| Non-Cash Assistance (Food Distribution) | 10.555 | \$ 18,191 | \$ 18,191 |
| Cash Assistance | 10.555 | 122,827 | 122,827 |
| Total - National School Lunch Program | | <u>141,018</u> | <u>141,018</u> |
| School Breakfast Program | 10.553 | 38,783 | 38,783 |
| Total Nutrition Cluster | | <u>179,801</u> | <u>179,801</u> |
| Team Nutrition Training Grants | 10.574 | 2,550 | 2,550 |
| Total U.S. Department of Agriculture | | <u>182,351</u> | <u>182,351</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Direct Program</i> | | | |
| <u>Student Financial Assistance Cluster:</u> | | | |
| Federal Pell Grant Program | 84.063 | 875,165 | 875,165 |
| Federal Direct Student Loans | 84.268 | 1,273,777 | 1,273,777 |
| Total Student Financial Aid Cluster | | <u>2,148,942</u> | <u>2,148,942</u> |
| Small, Rural School Achievement Program | 84.358A | 41,744 | 5,329 |
| <i>Passed Through Ohio Department of Education:</i> | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | 418,557 | 378,594 |
| Improving Teacher Quality State Grants | 84.367 | 2,832 | 3,091 |
| Total U.S. Department of Education | | <u>2,612,075</u> | <u>2,535,956</u> |
| Total Federal Financial Assistance | | <u><u>\$ 2,794,426</u></u> | <u><u>\$ 2,718,307</u></u> |

The accompanying notes are an integral part of this schedule.

**EHOVE CAREER CENTER
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the EHOVE Career Center, Erie County, Ohio (the Career Center), as of and for the year ended June 30, 2012, which collectively comprise the Career Center's basic financial statements and have issued our report thereon dated October 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 9, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the EHOVE Career Center, Erie County, Ohio (the Career Center), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Career Center's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Career Center's major federal programs. The Career Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Career Center's compliance based on our audit.

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

In our opinion, the EHOVE Career Center, Erie County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2012-001.

Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2012-001. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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



Dave Yost
Auditor of State

October 9, 2012

**EHOVE CAREER CENTER
ERIE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | Yes |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | Yes |
| (d)(1)(vii) | Major Programs (list): | Student Financial Assistance Cluster: Federal Pell Grant Program – CFDA 84.063, Federal Direct Student Loans – CFDA 84.268. |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

| | |
|------------------------------------|---|
| Finding Number | 2012-001 |
| CFDA Title and Number | Student Financial Assistance Cluster: Federal Pell Grant Program – CFDA 84.063, Federal Direct Student Loans – CFDA 84.268. |
| Federal Award Number / Year | 2012 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | N/A |

Special Tests and Provisions – Noncompliance/Significant Deficiency

34 CFR § 668.173(b) requires the return of Title IV funds no later than 45 days after the date the institution determines the student withdrew.

In 40 percent of the transactions selected for examination the return of funds occurred outside of the specified 45 day time frame. For these transactions it appears paper work was prepared but not timely entered to the Common Origination and Disbursement system for processing the return of funds.

The Career Center should establish policies and procedures to ensure timely entry to the system.

Officials' Response:

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

**EHOVE CAREER CENTER
ERIE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2012**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|--|-----------------------------|------------------------------|
| 2012-001 | The Career Center will implement procedures to ensure timely return of Title IV funds. | September, 2012 | Larry Hanneman, Treasurer |

This page intentionally left blank.



Dave Yost • Auditor of State

EHOVE CAREER CENTER

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2012**