

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2012***

CARRIE J. HERRINGSHAW, TREASURER



Dave Yost • Auditor of State

Board of Education
Penta Career Center
9301 Buck Road
Perrysburg, Ohio 43551

We have reviewed the *Independent Accountants' Report* of the Penta Career Center, Wood County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 to June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 25, 2013

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**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

Penta Career Center
9301 Buck Road
Perrysburg, Ohio 43551

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 Penta Career Center, Wood County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise Penta Career Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Penta 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Penta Career Center, as of June 30, 2012, and the respective changes in financial position, thereof for the fiscal 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 December 21, 2012 on our consideration of Penta 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 on pages 3 - 12 and the required budgetary comparison schedule and notes on pages 50 - 51 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 Penta Career Center's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards 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.



Julian & Grube, Inc.
December 21, 2012

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

The discussion and analysis of the Penta Career Center's (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 transmittal letter, notes to the basic financial statements and basic financial statements to enhance their understanding of the Career Center's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets of governmental activities increased \$752,464 which represents a 1.38% increase from 2011.
- General revenues accounted for \$25,332,903 in revenue or 75.38% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$8,272,619 or 24.62% of total revenues of \$33,605,522.
- The Career Center had \$32,853,058 in expenses related to governmental activities; \$8,272,619 of these expenses was offset by program specific charges for services, operating grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The Career Center's largest major governmental fund is the general fund. The general fund had \$25,935,724 in revenues and \$25,629,048 in expenditures. During fiscal year 2012, the general fund's fund balance increased \$306,676 or 4.45% from a balance of \$6,888,087 to \$7,194,763.
- The fund balance of the bond retirement fund decreased 99.83% during fiscal year 2012 from \$4,198,312 to \$7,001. This decrease is due to the Career Center refunding the certificates of participation as shown in Note 11.
- The fund balance of the permanent improvement fund decreased \$7,373,858 during fiscal year 2012. This decrease is due to the transfer to the bond retirement fund to pay on the refunding certificates of participation.

Using this Annual Financial Report

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 *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. The Career Center has three major governmental funds: the general fund, bond retirement fund and the permanent improvement fund. The general fund is by far the most significant fund.

**PENTA CAREER CENTER
WOOD 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

The statement of net assets and the statement of activities reflect how the Career Center did financially during fiscal year 2012. 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, operation and maintenance of plant, extracurricular activities, adult education programs and food service operations.

The Career Center's statement of net assets and statement of activities can be found on pages 13 and 14 of this report.

Reporting the Career Center's Most Significant Funds

Fund Financial Statements

The analysis of the Career Center's major governmental funds begins on page 9. 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, bond retirement fund and the permanent improvement 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* that 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. The basic governmental fund financial statements can be found on pages 15-18 of this report.

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

Reporting the Career Center's Fiduciary Responsibilities

The Career Center is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The Career Center also acts in a trustee capacity as an agent for student managed activities. These activities are reported in an agency fund. All of the Career Center's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 19 and 20. 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.

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. These notes to the basic financial statements can be found on pages 21-49 of this report.

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 for 2012 and 2011.

	Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
<u>Assets</u>		
Current and other assets	\$ 30,190,497	\$ 42,516,354
Capital assets	<u>87,272,746</u>	<u>89,746,327</u>
Total assets	<u>117,463,243</u>	<u>132,262,681</u>
<u>Liabilities</u>		
Current liabilities	17,085,159	17,570,096
Long-term liabilities	<u>45,267,282</u>	<u>60,334,247</u>
Total liabilities	<u>62,352,441</u>	<u>77,904,343</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	45,386,332	32,328,263
Restricted	4,935,708	16,063,439
Unrestricted	<u>4,788,762</u>	<u>5,966,636</u>
Total net assets	<u>\$ 55,110,802</u>	<u>\$ 54,358,338</u>

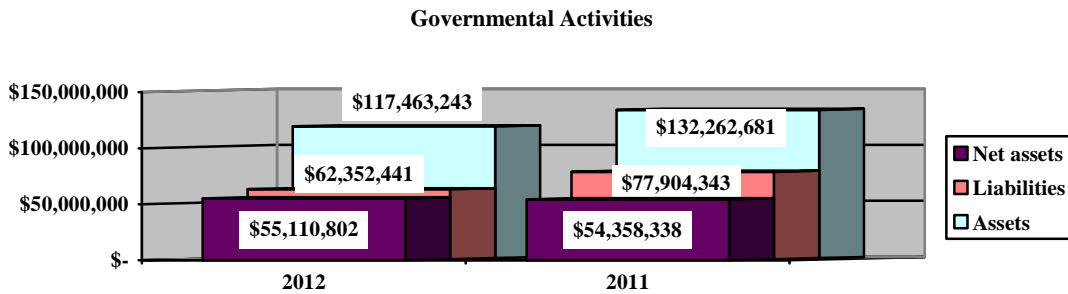
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the Career Center's assets exceeded liabilities by \$55,110,802.

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

At June 30, 2012, capital assets represented 74.30% of total assets. Capital assets include land, land improvements, buildings and building improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012 were \$45,386,332. These capital assets are used to provide services to the students and are not available for future spending. Although the District'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.

A portion of the Career Center's net assets, \$4,935,708, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$4,788,762 may be used to meet the Career Center's ongoing obligations to the students and creditors.



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	\$ 943,956	\$ 1,092,361
Operating grants and contributions	7,328,663	7,497,937
General revenues:		
Property taxes	14,133,541	16,028,976
Payment in lieu of taxes	292,660	251,530
Grants and entitlements	10,782,759	11,985,200
Investment earnings	185,289	294,688
Increase in FV of investments	(78,464)	254,167
Miscellaneous	17,118	8,566
Total revenues	33,605,522	37,413,425

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

Change in Net Assets - (Continued)

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Special	\$ 904,145	\$ 951,406
Vocational	16,666,221	16,715,584
Adult/continuing	1,088,763	1,024,596
Other	569,287	530,276
Support services:		
Pupil	2,627,882	2,805,480
Instructional staff	2,622,540	2,523,136
Board of education	92,711	58,377
Administration	1,083,774	1,187,557
Fiscal	643,123	659,570
Operations and maintenance	2,788,872	3,012,353
Central	329,170	302,449
Operation of non-instructional services		
Other non-instructional services	203,841	202,530
Food service operations	849,553	772,686
Extracurricular activities	266,009	221,372
Interest and fiscal charges	<u>2,117,167</u>	<u>2,650,324</u>
Total expenses	<u>32,853,058</u>	<u>33,617,696</u>
Change in net assets	752,464	3,795,729
Net assets at beginning of year	<u>54,358,338</u>	<u>50,562,609</u>
Net assets at end of year	<u>\$ 55,110,802</u>	<u>\$ 54,358,338</u>

Governmental Activities

Net assets of the Career Center's governmental activities increased during fiscal year 2012 by \$752,464. Total revenues decreased 10.18% during fiscal year 2012. Property tax revenue decreased due to the amount available as an advance at June 30, 2012, which was \$1,080,794 lower than in 2011. The Career Center was reimbursed for the loss of revenue from the State for the phase out of the tangible personal property tax, which contributed to the decrease in unrestricted grants and entitlements in fiscal year 2012. Interest revenues decreased due to fewer cash resources invested as monies as well as the decrease in the fair value of the Career Center's investments. Payment in lieu of tax revenue increased during fiscal year 2012 as businesses were making their scheduled payments.

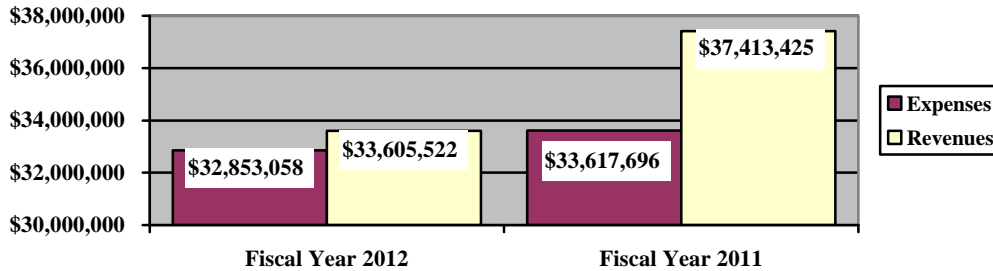
Fiscal year 2012 expenses decreased 2.27% from fiscal year 2011. This decrease is due in a large part to the decrease in interest and fiscal charges as the Career Center looked to reduce debt by refunding the certificates of participation, thereby decreasing current year interest and fiscal charges by \$533,157.

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The graph below presents the Career Center's governmental activities revenue and expenses for fiscal year 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. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Program expenses				
Instruction:				
Special	\$ 904,145	\$ 86,977	\$ 951,406	\$ 128,874
Vocational	16,666,221	12,545,018	16,715,584	12,381,327
Adult/continuing	1,088,763	121,592	1,024,596	97,213
Other	569,287	26,093	530,276	(5,177)
Support services:				
Pupil	2,627,882	2,288,597	2,805,480	2,324,247
Instructional staff	2,622,540	2,348,461	2,523,136	2,159,359
Board of education	92,711	92,711	58,377	58,377
Administration	1,083,774	816,461	1,187,557	907,455
Fiscal	643,123	643,123	659,570	659,570
Operations and maintenance	2,788,872	2,788,872	3,012,353	3,012,353
Central	329,170	329,170	302,449	302,449
Operation of non-instructional services				
Other non-instructional services	203,841	(13,791)	202,530	1,995
Food service operations	849,553	123,979	772,686	127,660
Extracurricular activities	266,009	266,009	221,372	221,372
Interest and fiscal charges	2,117,167	2,117,167	2,650,324	2,650,324
Total expenses	<u>\$ 32,853,058</u>	<u>\$ 24,580,439</u>	<u>\$ 33,617,696</u>	<u>\$ 25,027,398</u>

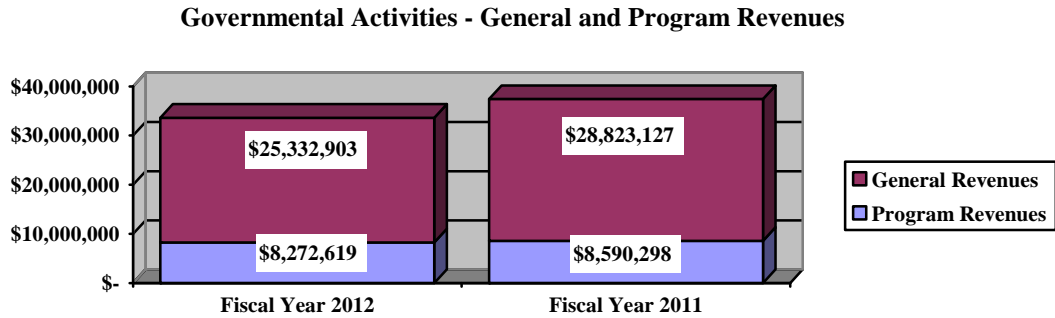
The dependence upon taxes and other general revenues for governmental activities is apparent, for all governmental activities, general revenue support is 74.82%. The Career Center's taxpayers and unrestricted grants and entitlements, as a whole, are by far the primary support for Career Center's students.

**PENTA CAREER CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Several programs, however, receive significant contributions from program revenues. For instance, 33.54% of instruction costs are provided for through program revenues, primarily operating grants and contributions and charges for services which include tuition and fees.

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



The Career Center's Funds

The Career Center's governmental funds (as presented on the balance sheet on pages 15) reported a combined fund balance of \$11,972,783, which is lower than last year's total of \$23,395,617. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase (Decrease)
General	\$ 7,194,763	\$ 6,888,087	\$ 306,676
Bond retirement	7,001	4,198,312	(4,191,311)
Permanent improvement	4,739,017	12,112,875	(7,373,858)
Other Governmental	32,002	196,343	(164,341)
Total	<u>\$ 11,972,783</u>	<u>\$ 23,395,617</u>	<u>\$ (11,422,834)</u>

The fund balance of the Career Center's other governmental funds decreased \$164,341 during fiscal year 2012 as a result of decreases of \$81,391 and \$62,081 in the adult education and vocational education funds respectively.

**PENTA CAREER CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)

General Fund

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2012 <u>Amount</u>	2011 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 9,998,108	\$ 11,178,112	(10.56) %
Tuition	7,792	6,558	18.82 %
Earnings on investments	96,775	220,700	(56.15) %
Intergovernmental	15,363,258	16,397,043	(6.30) %
Other revenues	<u>469,791</u>	<u>831,658</u>	(43.51) %
 Total	 <u>\$ 25,935,724</u>	 <u>\$ 28,634,071</u>	 (9.42) %
<u>Expenditures</u>			
Instruction	\$ 16,476,739	\$ 16,694,266	(1.30) %
Support services	8,646,333	8,730,191	(0.96) %
Other non-instructional services	203,841	202,530	0.65 %
Extracurricular activities	266,009	221,372	20.16 %
Debt service	<u>36,126</u>	<u>36,126</u>	- %
 Total	 <u>\$ 25,629,048</u>	 <u>\$ 25,884,485</u>	 (0.99) %

The general fund balance increased by \$306,676 during fiscal year 2012; however, the Career Center's general fund still sees a continuation of overall revenues being more than expenditures. Tax revenue decreased 10.56% when compared to the prior fiscal year. Property tax revenue decreased due to the amount available as an advance at June 30, 2012, which was \$761,561 lower than in 2011. Intergovernmental revenue decreased due to HB 66, which phases out the tax on tangible personal property of general businesses. The Career Center was reimbursed for this lost revenue from the State. The decrease in earnings on investments is due to the Career Center having less money invested when compared to the prior fiscal year. Other revenues decreased due to a decrease in the fair market value of investments in the amount of \$332,631.

Overall expenditures decreased by 0.99%, during fiscal year 2012. Instructional services decreased 1.30% as a result of tight control over costs. The decrease in support services resulted from less certified and classified staff in 2012, along with a decrease in approximately 40 students from the previous school year.

Bond Retirement Fund

During fiscal year 2012, the bond retirement fund made principal and interest payments of \$1,455,000 and \$2,561,645, respectively. The bond retirement fund refunded the certificates of participation to lower the debt for the Career Center. The Career Center made cash contributions to reduce the debt, which was funded by \$8,000,000 in transfers from the permanent improvement fund and \$4,197,000 from debt service reserve funds.

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(UNAUDITED)

Permanent Improvement Fund

The 60.88% increase in the fund balance of the permanent improvement fund is a result of the Career Center refunding the certificates of participation during 2012. The permanent improvement fund transferred out \$12,000,341 to the bond retirement fund for current principal and interest payments on the certificates of participation which included a \$8,000,000 cash contribution in the advance refunding of the debt. The fund carried over \$4,739,017 to the next fiscal year.

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 shown as supplemental information on pages 50-51.

During the course of fiscal year 2012, the Career Center amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$26,123,771 and \$26,287,351, respectively. Actual revenues and other financing sources for fiscal year 2012 were \$26,348,334. This represents a \$60,983 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$26,565,547 were increased to \$26,865,547 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$26,690,584, which was \$174,963 less than the final budget appropriations.

Capital Assets

At the end of fiscal 2012, the Career Center had \$87,272,746 invested in land, land improvements, buildings and building improvements, furniture, fixtures and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2012 balances compared to 2011:

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

	Governmental Activities	
	2012	2011
Land	\$ 7,150,778	\$ 7,150,778
Land improvements	1,944,593	2,119,104
Building and building improvements	75,029,181	77,111,228
Furniture and equipment	2,937,417	3,211,486
Vehicles	210,777	153,731
Total	\$ 87,272,746	\$ 89,746,327

The overall decrease in capital assets of \$2,473,581 occurred as a result of the 2012 depreciation expense of \$2,693,946 and disposals (net of accumulated depreciation) of \$48,302 being greater than additions of \$268,667.

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

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

Debt Administration

At June 30, 2012 and June 30, 2011, the Career Center had the following debt obligations outstanding:

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
Land acquisition bonds	\$ -	\$ 425,000
Certificates of participation	43,810,000	56,165,000
Capital lease obligation	<u>9,299</u>	<u>43,589</u>
Total	<u>\$ 43,819,299</u>	<u>\$ 56,633,589</u>

At June 30, 2012 the District's overall legal debt margin was \$501,984,372 with an unvoted debt margin of \$5,577,604.

See Notes 10 and 11 to the basic financial statements for more detail on the District's debt obligations.

Current Related Financial Activities

Career-technical education was again flat-funded at the State level for fiscal year 2013. All indications are that the Governor's budget that will be introduced in early 2013 for the biennium beginning July 1, 2014, will contain changes to the Ohio school funding model including the funding of career-technical education. There is no information at the present time as to what those changes will be.

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 Carrie J. Herringshaw, Treasurer, Penta Career Center, 9301 Buck Road, Perrysburg, Ohio 43551.

**BASIC
FINANCIAL STATEMENTS**

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 13,443,165
Receivables:	
Property taxes	15,587,776
Payment in lieu of taxes	223,244
Accounts.	1,789
Intergovernmental	151,445
Accrued interest	25,442
Prepayments	77,063
Inventory held for resale	5,298
Materials and supplies inventory.	3,742
Unamortized issuance costs on certificates of participation	671,533
Capital assets:	
Land.	7,150,778
Depreciable capital assets, net.	80,121,968
Capital assets, net.	<u>87,272,746</u>
Total assets.	<u>117,463,243</u>
Liabilities:	
Accounts payable.	154,675
Accrued wages and benefits	2,038,202
Matured compensated absences payable	248,911
Intergovernmental payable	441,261
Accrued interest payable	155,328
Unearned revenue	14,046,782
Long-term liabilities:	
Due within one year.	2,574,401
Due in more than one year.	42,692,881
Total liabilities	<u>62,352,441</u>
Net Assets:	
Invested in capital assets, net of related debt.	45,386,332
Restricted for:	
Capital projects	4,877,132
Other purposes	58,576
Unrestricted	<u>4,788,762</u>
Total net assets	<u>\$ 55,110,802</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PENTA CAREER CENTER
WOOD 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:				
Special	\$ 904,145	\$ 1,382	\$ 815,786	\$ (86,977)
Vocational	16,666,221	17,837	4,103,366	(12,545,018)
Adult/continuing	1,088,763	227,065	740,106	(121,592)
Other	569,287	-	543,194	(26,093)
Support services:				
Pupil	2,627,882	15,388	323,897	(2,288,597)
Instructional staff	2,622,540	-	274,079	(2,348,461)
Board of education	92,711	-	-	(92,711)
Administration	1,083,774	109,473	157,840	(816,461)
Fiscal	643,123	-	-	(643,123)
Operations and maintenance	2,788,872	-	-	(2,788,872)
Central	329,170	-	-	(329,170)
Other non-instructional services	203,841	215,259	2,373	13,791
Food service operations	849,553	357,552	368,022	(123,979)
Extracurricular activities	266,009	-	-	(266,009)
Interest and fiscal charges	2,117,167	-	-	(2,117,167)
Totals	<u>\$ 32,853,058</u>	<u>\$ 943,956</u>	<u>\$ 7,328,663</u>	<u>(24,580,439)</u>
 General Revenues:				
Property taxes levied for:				
				9,906,548
				4,226,993
				292,660
				10,782,759
				185,289
				(78,464)
				17,118
				25,332,903
				752,464
				54,358,338
				\$ 55,110,802

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents.	\$ 8,773,666	\$ 7,001	\$ 4,348,265	\$ 314,233	\$ 13,443,165
Receivables:					
Property taxes.	11,120,271	-	4,467,505	-	15,587,776
Payment in lieu of taxes	223,244	-	-	-	223,244
Accounts	-	-	-	1,789	1,789
Intergovernmental.	-	-	-	151,445	151,445
Accrued interest	25,442	-	-	-	25,442
Interfund loans	185,830	-	-	-	185,830
Prepayments.	77,063	-	-	-	77,063
Inventory held for resale.	-	-	-	5,298	5,298
Materials and supplies inventory.	-	-	-	3,742	3,742
Total assets	<u>\$ 20,405,516</u>	<u>\$ 7,001</u>	<u>\$ 8,815,770</u>	<u>\$ 476,507</u>	<u>\$ 29,704,794</u>
Liabilities:					
Accounts payable	\$ 148,003	\$ -	\$ -	\$ 6,672	\$ 154,675
Accrued wages and benefits.	1,993,501	-	-	44,701	2,038,202
Matured compensated absences payable	248,911	-	-	-	248,911
Intergovernmental payable	385,404	-	-	55,857	441,261
Interfund loans payable.	-	-	-	185,830	185,830
Deferred revenue	326,790	-	138,115	151,445	616,350
Unearned revenue.	<u>10,108,144</u>	<u>-</u>	<u>3,938,638</u>	<u>-</u>	<u>14,046,782</u>
Total liabilities.	<u>13,210,753</u>	<u>-</u>	<u>4,076,753</u>	<u>444,505</u>	<u>17,732,011</u>
Fund Balances:					
Nonspendable:					
Materials and supplies inventory.	-	-	-	9,040	9,040
Prepayments.	77,063	-	-	-	77,063
Restricted:					
Debt service	-	7,001	-	-	7,001
Capital improvements	-	-	4,739,017	-	4,739,017
Adult education	-	-	-	141,999	141,999
Food service operations	-	-	-	24,222	24,222
Committed:					
Education foundation	2,392,010	-	-	-	2,392,010
Assigned:					
Student instruction	282,959	-	-	-	282,959
Student and staff support.	91,371	-	-	-	91,371
Extracurricular activities	15,649	-	-	-	15,649
Subsequent year appropriations	58,414	-	-	-	58,414
Other purposes	283,742	-	-	-	283,742
Unassigned (deficit).	<u>3,993,555</u>	<u>-</u>	<u>-</u>	<u>(143,259)</u>	<u>3,850,296</u>
Total fund balances	<u>7,194,763</u>	<u>7,001</u>	<u>4,739,017</u>	<u>32,002</u>	<u>11,972,783</u>
Total liabilities and fund balances	<u>\$ 20,405,516</u>	<u>\$ 7,001</u>	<u>\$ 8,815,770</u>	<u>\$ 476,507</u>	<u>\$ 29,704,794</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

Total governmental fund balances		\$ 11,972,783
<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.		87,272,746
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 456,913	
Intergovernmental receivable	151,445	
Accrued interest receivable	7,992	
Total		616,350
Unamortized issuance costs on certificates of participation are not recognized in the funds.		671,533
Unamortized premiums on certificates of participation are not recognized in the funds.		(3,935,504)
Unamortized deferred charges on certificates of participation are not recognized in the funds.		5,196,856
Accrued interest payable is not due and payable within the current period and therefore is not reported in the funds.		(155,328)
Some long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences payable	(2,709,335)	
Certificates of participation payable	(43,810,000)	
Capital lease obligation	(9,299)	
Total		(46,528,634)
Net assets of governmental activities		\$ 55,110,802

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Property taxes	\$ 9,998,108	\$ -	\$ 4,266,593	\$ -	\$ 14,264,701
Payment in lieu of taxes	292,660	-	-	-	292,660
Tuition	7,792	-	-	330,946	338,738
Charges for services	-	-	-	357,552	357,552
Contract services	225,000	-	-	-	225,000
Earnings on investments	96,775	21,993	72,751	-	191,519
Decrease in FV of investments	(78,464)	-	-	-	(78,464)
Extracurricular	11,104	-	-	-	11,104
Classroom materials and fees	-	-	-	10,252	10,252
Rental income	2,559	-	-	-	2,559
Contributions and donations	2,373	-	-	-	2,373
Other local revenues	14,559	-	-	1,310	15,869
Intergovernmental - state	15,363,258	-	880,852	380,193	16,624,303
Intergovernmental - federal	-	-	-	1,472,492	1,472,492
Total revenues	<u>25,935,724</u>	<u>21,993</u>	<u>5,220,196</u>	<u>2,552,745</u>	<u>33,730,658</u>
Expenditures:					
Current:					
Instruction:					
Special	805,320	-	-	2,616	807,936
Vocational	15,116,906	-	14,702	-	15,131,608
Adult/continuing	19,050	-	-	1,056,256	1,075,306
Other	535,463	-	-	-	535,463
Support services:					
Pupil	2,408,230	-	-	339,412	2,747,642
Instructional staff	2,156,961	-	-	288,890	2,445,851
Board of education	79,472	-	-	-	79,472
Administration	735,425	-	-	298,204	1,033,629
Fiscal	562,535	-	76,063	-	638,598
Operations and maintenance	2,375,132	-	68,385	-	2,443,517
Central	328,578	-	-	-	328,578
Other non-instructional services	203,841	-	-	-	203,841
Food service operations	-	-	-	731,708	731,708
Extracurricular activities	266,009	-	-	-	266,009
Debt service:					
Principal retirement	34,290	1,455,000	425,000	-	1,914,290
Interest and fiscal charges	1,836	2,561,645	9,563	-	2,573,044
Issuance costs on certificates of participation	-	678,639	-	-	678,639
Total expenditures	<u>25,629,048</u>	<u>4,695,284</u>	<u>593,713</u>	<u>2,717,086</u>	<u>33,635,131</u>
Excess (deficiency) of revenues over (under) expenditures	<u>306,676</u>	<u>(4,673,291)</u>	<u>4,626,483</u>	<u>(164,341)</u>	<u>95,527</u>
Other financing sources (uses):					
Premium on certificates of participation	-	3,977,150	-	-	3,977,150
Sale of refunding certificates of participation	-	43,810,000	-	-	43,810,000
Payment to refunding escrow agent	-	(59,305,511)	-	-	(59,305,511)
Transfers in	-	12,000,341	-	-	12,000,341
Transfers (out)	-	-	(12,000,341)	-	(12,000,341)
Total other financing sources (uses)	<u>-</u>	<u>481,980</u>	<u>(12,000,341)</u>	<u>-</u>	<u>(11,518,361)</u>
Net change in fund balances	306,676	(4,191,311)	(7,373,858)	(164,341)	(11,422,834)
Fund balances at beginning of year	<u>6,888,087</u>	<u>4,198,312</u>	<u>12,112,875</u>	<u>196,343</u>	<u>23,395,617</u>
Fund balances at end of year	<u>\$ 7,194,763</u>	<u>\$ 7,001</u>	<u>\$ 4,739,017</u>	<u>\$ 32,002</u>	<u>\$ 11,972,783</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PENTA CAREER CENTER
WOOD 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		\$ (11,422,834)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay in the current period.		
Capital asset additions	\$ 268,667	
Current year depreciation	<u>(2,693,946)</u>	
Total		(2,425,279)
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for disposals.		(48,302)
Issuances of refunding certificates of participation are recorded as an other financing source in the governmental funds; however, the proceeds increase long-term liabilities on the statement of net assets.		(43,810,000)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		1,914,290
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(131,160)	
Intergovernmental revenue	12,254	
Accrued interest	<u>(6,230)</u>	
Total		(125,136)
Payment to refunded escrow agent for the refunding of certificates of participation is an other financing use in the governmental funds but the payment reduces the long-term liabilities on the statement of net assets. Deferred charges related to refunding are amortized over the life of the issuance in the statement of activities.		
Certificates of participation refunded	54,710,000	
Certificates of participation premium refunded	784,475	
Certificates of participation issuance costs refunded	(1,440,813)	
Deferred charge on refunding	<u>5,251,849</u>	
Total		59,305,511
Premiums and issuance costs on refunding certificates of participation are amortized over the life of the issuance on the statement of activities.		
Premium on refunding certificates of participation	(3,977,150)	
Issuance costs on refunding certificates of participation	<u>678,639</u>	
Total		(3,298,511)
In the statement of activities, interest is accrued on outstanding certificates of participation, whereas in governmental funds, interest is expended when due. The following items resulted in less interest being recorded in the statement of activities:		
Decrease in accrued interest payable	476,330	
Amortization of deferred charges	(54,993)	
Amortization of premium	41,646	
Amortization of issuance costs	<u>(7,106)</u>	
Total		455,877
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 in the funds.		<u>206,848</u>
Change in net assets of governmental activities		<u><u>\$ 752,464</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 13,564	\$ 12,510
Total assets.	<u>13,564</u>	<u>\$ 12,510</u>
Liabilities:		
Accounts payable.	-	\$ -
Due to students.	-	12,510
Total liabilities	<u>-</u>	<u>\$ 12,510</u>
Net assets:		
Held in trust for scholarships	<u>13,564</u>	
Total net assets	<u>\$ 13,564</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 11,778
Total additions.	11,778
Deductions:	
Scholarships awarded	4,900
Change in net assets.	6,878
Net assets at beginning of year	6,686
Net assets at end of year.	\$ 13,564

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE CAREER CENTER

Penta Career Center (Career Center) is a distinct political subdivision of the State of Ohio operated under the direction of a nine member Board of Education consisting of a representative from the participating school districts' elected Boards. The Board consists of one representative from each exempted village and/or city school district: Bowling Green, Maumee, Perrysburg and Rossford; one representative from each of the three least populous counties: Fulton, Ottawa, and Sandusky; and one representative from each of the most populous counties: Lucas and Wood. The Board possesses its own budgeting and taxing authority. The Career Center exposes students to job training skills leading to employment upon graduation from high school.

The Career Center was established in 1964. The Career Center serves Fulton, Hancock, Henry, Lucas, Ottawa, Sandusky and Wood Counties. It is staffed by 73 classified employees, 202 certified teaching personnel and 19 administrative employees who provide services to 1,957 students and other community members. The Career Center currently operates one instructional building.

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).

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

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

The following organizations are described due to their relationship to the Career Center:

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Computer Association

The Career Center is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The NWOCA Assembly consists of a superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2012, the Career Center paid \$4,665 to NWOCA for various services. Financial information can be obtained from the Northern Buckeye Education Council, 22-900 State Route 34, Archbold, Ohio 43502.

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 22-900 State Route 34, Archbold, Ohio 43502.

Ohio Schools' Council Association

The Ohio Schools' Council Association (Council) is a jointly governed organization among 161 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any district is limited to its representation on the Board. In fiscal year 2012, the Career Center participated in the Power 4 Schools program. Financial information can be obtained by contacting David Cottrell, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio, 44131.

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

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

INSURANCE POOLS

Ohio School Plan

The Career Center participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member Board consisting of superintendents, treasurers, and a member of the Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

Workers' Compensation Group Rating Plan

The Career Center participates in a group rating plan administered by Sheakley for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the Career Center by virtue of its grouping and representation with other participants in the GRP. The Career Center pays a fee to the GRP to cover the costs of administering the program. The Career Center paid \$2,275 in fees during fiscal year 2012.

Wood County Insurance Consortium

The Wood County Insurance Consortium (WCIC) is a public entity shared risk pool consisting of six local school districts, one exempted village school district, a city school district, the Career Center, and an educational service center. WCIC is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the WCIC.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the WCIC is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information may be obtained from Medical Mutual of Ohio, 3737 Sylvania Avenue, Toledo, Ohio 43623.

B. Basis of Presentation

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

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

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

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 stand-alone government, except for fiduciary funds. These statements usually distinguish between those activities of the Career Center that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the Career center has no business-type activities.

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

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

C. Fund Accounting

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

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

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

Bond retirement fund - The bond retirement debt service fund accounts for the accumulation of resources for, and the payment of principal, interest and related costs of the certificates of participation.

Permanent improvement fund - The permanent improvement capital projects fund accounts for property taxes restricted for the acquisition, construction, or improvement of capital facilities.

Other governmental funds of the Career Center are used to account for specific revenue sources that are restricted or committed to expenditures for specified purposes.

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. Trust funds are used to account for assets held by the Career Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Career Center's own programs. The Career Center's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Career Center's agency fund accounts for various student-managed activities.

D. Measurement Focus

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

E. 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.

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

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

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, interest, tuition, grants, student fees, contract services, 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 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2012, have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements 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.

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

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

F. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the estimate of revenues, certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The estimate of revenues provides information regarding the estimated revenues for all funds, along with a schedule of outstanding general obligation debt. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level for these funds are made by the Treasurer.

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

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

G. Cash and Investments

To improve cash management, cash received by the Career Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Career Center records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During fiscal year 2012, the Career Center's investments included nonnegotiable certificates of deposit, repurchase agreements, U.S. Government money markets, mutual funds and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit and repurchase agreements, which are reported at cost. Fair value is based on quoted market price or current share price. 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.

The Board of Education, by resolution, allocates interest earnings at the end of each fiscal year. Interest revenue credited to the general fund during fiscal year 2012 was \$96,775, which includes \$35,374 assigned from other Career Center funds.

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

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

Investments of the Career Center's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Career Center are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

H. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepayments using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the cost and donated commodities are presented at their entitlement value.

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated food and purchased food.

J. Unamortized Issuance Costs/Premium/Deferred Charges

On government-wide financial statements, issuance costs on certificates of participation are deferred and amortized over the term of the bonds using the straight line method. Unamortized issuance costs on certificates of participation are recorded as a separate line item on the statement of net assets.

Premiums on certificates of participation are deferred and amortized over the term of the issue using the straight line method, which approximates the effective interest method. Premiums are presented as an addition to the face amount of the debt.

For certificates of participation refunding resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and premiums are recognized as expenditures in the period in which the debt is issued.

K. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Career Center had no restricted assets at June 30, 2012.

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

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

L. 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 retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Career Center maintains a capitalization threshold of \$5,000 for its general capital assets. 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. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful lives</u>
Land improvements	20 years
Buildings and building improvements	15 - 40 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	5 - 10 years

M. Interfund Balances

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

N. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the Career Center will compensate the employees for the benefits through paid time off or some other means. The Career Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The liability includes earned sick leave to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the Career Center's past experience of making termination payments.

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

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

O. 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, claims and judgments and 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. Bonds, certificates of participation and capital leases are recognized as liabilities on the fund financial statements when due.

P. 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 on their use either through the 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 and adult education.

The Career Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Career Center did not have any net assets restricted by enabling legislation.

Q. 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. It also includes the long-term amount of loans receivable.

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.

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

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

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.

R. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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.

S. 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.

**PENTA CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 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. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Adult basic education	\$ 57,489
Vocational education	83,801
Improving teacher quality	1,969

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 resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Active deposits are monies determined to be 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.

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
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.

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal year end, the Career Center had \$1,024 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 \$10,869,281. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, \$5,805,114 of the Career Center’s bank balance of \$11,129,164 was exposed to custodial risk as discussed below, while \$5,324,050 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Career Center’s deposits may not be returned. All deposits are 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:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
Repurchase agreements	\$ 193,346	\$ 193,346
STAR Ohio	6,577	6,577
U.S. Government money market	25,941	25,941
Mutual funds	<u>2,373,070</u>	<u>2,373,070</u>
Total	<u>\$ 2,598,934</u>	<u>\$ 2,598,934</u>

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless matched to a specific obligation or debt of the Career Center. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The securities underlying the repurchase agreement (Government National Mortgage Association Bonds) carry a rating of Aaa by Moodys. The mutual funds carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAAM by Standard & Poor's. The Career Center has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that repurchase agreements be limited to investments listed in items 1 and 2 on page 33 and no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Career Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreements are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent, but not in the school district's name. The Career Center has no investment policy dealing with custodial credit risk beyond the requirements of the State statute.

Concentration of Credit Risk: The Career Center places no limit on the amount that may be invested in any one issuer. 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>% to total</u>
Repurchase agreements	\$ 193,346	7.44
STAR Ohio	6,577	0.25
U.S. Government money market	25,941	1.00
Mutual funds	<u>2,373,070</u>	<u>91.31</u>
Total	<u>\$ 2,598,934</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	\$ 10,869,281
Investments	2,598,934
Cash on hand	<u>1,024</u>
Total	<u>\$ 13,469,239</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 13,443,165
Private-purpose trust funds	13,564
Agency funds	<u>12,510</u>
Total	<u>\$ 13,469,239</u>

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

NOTE 5 - INTERFUND TRANSACTIONS

- A. At June 30, 2012, the general fund had a short-term interfund receivable, in the amount of \$185,830, from other governmental funds as a result of providing cash flow resources until the receipt of grant monies.

The short-term interfund loans are expected to be repaid in the next fiscal year.

- B. During fiscal year 2012, the permanent improvement capital projects fund made transfers to the bond retirement fund, in the amount of \$12,000,341, to pay \$4,000,341 in current principal and interest on the certificates of participation and to fund the Career Center's \$8,000,000 cash contribution in the advance refunding of the Certificates of Participation (see Note 11 for detail).

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 and public utility property. 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 established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and 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.

The Career Center receives property taxes from Fulton, Hancock, Henry, Lucas, Ottawa, Sandusky and Wood 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 \$916,573 in the general fund and \$390,752 in the permanent improvement capital projects fund. This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$1,678,134 in the general fund and \$709,985 in the permanent improvement capital projects 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.

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

	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	\$ 5,533,105,850	96.48	\$ 5,344,810,780	95.82
Public utility personal	<u>201,588,350</u>	<u>3.52</u>	<u>232,793,350</u>	<u>4.18</u>
Total	<u>\$ 5,734,694,200</u>	<u>100.00</u>	<u>\$ 5,577,604,130</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$ 3.20		\$ 3.20

NOTE 7 - PAYMENT IN LIEU OF TAXES

According to State law, Lucas and Wood Counties have entered into agreements with a number of property owners under which the Counties have granted property tax abatements to those property owners and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the Counties to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by those owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners. The Career Center received \$292,660 in payments in lieu of taxes during fiscal year 2012 and a receivable of \$223,244 has been reported on the statement of net assets.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. 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. Receivables have been disaggregated on the face of the basic financial statements. All receivables, except property taxes, are expected to be collected within one year. Property taxes and payments in lieu of taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

NOTE 8 - RECEIVABLES - (Continued)

A summary of the principal items of intergovernmental receivable follows:

Governmental activities:	<u>Amount</u>
Other nonmajor governmental funds:	
Adult basic education	\$ 57,194
Vocational education	92,282
Improving teacher education	<u>1,969</u>
Total intergovernmental receivables	<u>\$ 151,445</u>

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance 06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/12</u>
Governmental activities:				
<i>Nondepreciable capital assets:</i>				
Land	\$ 7,150,778	\$ -	\$ -	\$ 7,150,778
Total nondepreciable capital assets	<u>7,150,778</u>	<u>-</u>	<u>-</u>	<u>7,150,778</u>
<i>Depreciable capital assets:</i>				
Land improvements	2,657,497	-	-	2,657,497
Buildings and building improvements	83,157,166	-	-	83,157,166
Furniture, fixtures and equipment	5,627,239	158,706	(131,520)	5,654,425
Vehicles	<u>1,058,242</u>	<u>109,961</u>	<u>(158,441)</u>	<u>1,009,762</u>
Total depreciable capital assets	<u>92,500,144</u>	<u>268,667</u>	<u>(289,961)</u>	<u>92,478,850</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(538,393)	(174,511)	-	(712,904)
Buildings and building improvements	(6,045,938)	(2,082,047)	-	(8,127,985)
Furniture, fixtures and equipment	(2,415,753)	(395,845)	94,590	(2,717,008)
Vehicles	<u>(904,511)</u>	<u>(41,543)</u>	<u>147,069</u>	<u>(798,985)</u>
Total accumulated depreciation	<u>(9,904,595)</u>	<u>(2,693,946)</u>	<u>241,659</u>	<u>(12,356,882)</u>
Depreciable capital assets, net	<u>82,595,549</u>	<u>(2,425,279)</u>	<u>(48,302)</u>	<u>80,121,968</u>
Governmental activities capital assets, net	<u>\$ 89,746,327</u>	<u>\$ (2,425,279)</u>	<u>\$ (48,302)</u>	<u>\$ 87,272,746</u>

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Special	\$ 99,191
Vocational	1,707,179
Adult/continuing	19,681
 <u>Support services:</u>	
Pupil	36,292
Instructional staff	160,575
Board of education	13,239
Administration	49,167
Fiscal	7,730
Operations and maintenance	476,499
Food service operations	<u>124,393</u>
 Total depreciation expense	 <u><u>\$ 2,693,946</u></u>

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal years 2009 and 2010, the Career Center entered into capital lease agreements for office equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized and depreciated as follows:

Governmental activities

Capital assets, being depreciated:	
Furniture, fixtures and equipment	\$ 131,208
Less: accumulated depreciation	
Furniture, fixtures and equipment	<u>(63,815)</u>
 <i>Total capital assets, being depreciated, net</i>	 <u><u>\$ 67,393</u></u>

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE – (Continued)

The following is a schedule of the future long-term minimum lease payments required under capital lease and the present value of the minimum lease payments as of June 30, 2012.

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2013	\$ 5,509
2014	2,726
2015	<u>2,045</u>
	10,280
Less: amount representing interest	<u>(981)</u>
Present value of minimum lease payments	<u><u>\$ 9,299</u></u>

NOTE 11 - LONG-TERM OBLIGATIONS

The Career Center's long-term obligations during the year 2012 were as follows:

	<u>Balance 06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/12</u>	<u>Amounts due in one year</u>
Governmental activities:					
2002 Land acquisition bonds, 2.5-5.25%	\$ 425,000	\$ -	\$ (425,000)	\$ -	\$ -
2004 Certificates of participation, 1.4-5.0%	56,165,000	-	(56,165,000)	-	
2012 Refunding Certificates of participation, 2.0-5.25%	-	43,810,000	-	43,810,000	2,160,000
Premium on certificates of participation	784,475	3,977,150	(826,121)	3,935,504	-
Deferred charges on certificates of participation	-	(5,251,849)	54,993	(5,196,856)	-
Capital lease obligation	43,589	-	(34,290)	9,299	4,940
Compensated absences payable	<u>2,916,183</u>	<u>278,384</u>	<u>(485,232)</u>	<u>2,709,335</u>	<u>409,461</u>
Total governmental activities long-term obligations	<u><u>\$ 60,334,247</u></u>	<u><u>\$ 42,813,685</u></u>	<u><u>\$ (57,880,650)</u></u>	<u><u>\$ 45,267,282</u></u>	<u><u>\$ 2,574,401</u></u>

Compensated Absences - Compensated absences will be paid from the general fund and the adult education special revenue fund.

Legal Debt Margin - The Career Center's overall debt margin was \$501,984,372 with an unvoted debt margin of \$5,577,604 at June 30, 2012.

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Land Acquisition General Obligation Bonds - In fiscal year 2002, the Career Center issued \$3,500,000 in unvoted general obligation bonds to acquire land. The bonds were issued for a ten year period, with final maturity on December 1, 2011. The bonds were retired from the permanent improvement capital projects fund.

2004 Certificates of Participation - On March 1, 2004, the Career Center entered into a lease agreement with the Agricultural Incubator Foundation for constructing, equipping and furnishing a new campus facility. The Agricultural Incubator Foundation entered into an agreement with a Trustee through which it assigned and transferred its rights, title, and interest under the lease to Huntington Bank as Trustee. The Trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semiannual lease payments. Proceeds from the issuance of the Certificates were used to construct the new campus.

Terms of the trust indenture required a portion of the proceeds to be set-aside for certificate payments equal to the amount due in the first year. The current certificate payment account was used to account for resources accumulated for payment over the next twelve months. The reserve account was used solely to make rent payments if a deficiency exists in the current certificate payment account and, if all payments are current, to make payment of the last certificate payment.

The obligation of the Career Center under the lease and any subsequent lease renewal is subject to the annual appropriation of the rental payments. Legal title to the facilities remains with the Trustee until all payments required under the lease have been made. At that time, title will be transferred to the Career Center. In the event the Career Center defaults on the lease, after thirty days the lessor may lease the campus to a new tenant. Under terms of the lease agreement, the Career Center may not lease, acquire, or allocate funds to acquire functionally similar facilities for thirty days after default. The lease obligation will be paid from a one mill permanent improvement property tax levy.

The Certificates of Participation are not a general obligation of the Career Center and are payable only from appropriations by the Career Center for annual lease payments.

The 2004 Certificates of Participation were refunded on April 25, 2012, and the lease agreement was amended and restated on April 15, 2012, as described below.

2012 Certificates of Participation - On April 25, 2012, the Career Center issued \$43,810,000 in Certificates of Participation for the purpose of advance refunding the remaining outstanding principal amount of \$54,710,000 of the 2004 Certificates of Participation. The Career Center made a cash contribution of \$8,000,000 and used debt service reserve funds of \$4,197,000 in the refunding transaction, which is included in the \$59,305,511 payment to refunding escrow agent. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded 2004 Certificates of Participation at June 30, 2012, is \$54,710,000.

The 2012 issue is comprised of current interest serial coupons, par value \$43,810,000. Interest on the 2012 Certificates of Participation, ranging from 2.00%-5.25%, will be paid each April 1 and October 1, commencing October 1, 2012. The principal payments begin April 1, 2013, and the final payment is April 1, 2028.

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$5,251,849. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 22 years by \$24,779,493 and resulted in an economic gain of \$4,020,197.

The Career Center entered into an amended and restated lease agreement dated April 15, 2012, which amends and restates the terms of the original lease in connection with the issuance of the 2012 Certificates of Participation and the outstanding 2004 Certificates of Participation. The amended and restated lease will consist of renewable one-year (or partial) lease terms, which run through 2028, and expire annually at the end of the Career Center's fiscal year, with the exception of the final term, which will expire April 1, 2028. The lessor, Agricultural Incubator Foundation, assigned to Huntington National Bank, all of its rights, title, and interests under the amended and restated ground lease, dated April 15, 2012.

The obligation of the Career Center under the amended and restated lease and any subsequent lease renewal is subject to the annual appropriation of the rental payments. Legal title to the facilities remains with the Trustee until all payments required under the lease have been made. At that time, title will be transferred to the Career Center. In the event the Career Center defaults on the lease, after thirty days the lessor may lease the campus to a new tenant. Under terms of the lease agreement, the Career Center may not lease, acquire, or allocate funds to acquire functionally similar facilities for thirty days after default. The lease obligation will be paid from a one mill permanent improvement property tax levy.

The Certificates of Participation are not a general obligation of the Career Center and are payable only from appropriations by the Career Center for annual lease payments.

Principal and interest requirements to retire the debt outstanding at June 30, 2012, were as follows:

Fiscal Year Ending	Certificates of Participation		
	Principal	Interest	Total
2013	\$ 2,160,000	\$ 1,850,182	\$ 4,010,182
2014	2,070,000	1,939,137	4,009,137
2015	2,135,000	1,877,037	4,012,037
2016	2,195,000	1,812,988	4,007,988
2017	2,290,000	1,725,187	4,015,187
2018 - 2022	13,025,000	7,021,688	20,046,688
2023 - 2027	16,695,000	3,367,238	20,062,238
2028	3,240,000	129,600	3,369,600
Total	<u>\$ 43,810,000</u>	<u>\$ 19,723,057</u>	<u>\$ 63,533,057</u>

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Administrators earn up to twenty-one days of vacation per year. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred eighty-five days for all employees, with the exception of the superintendent and treasurer who may accumulate up to a maximum of three hundred twenty days. Upon retirement, with ten consecutive years of service with the Career Center, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of seventy-one and one-fourth days.

B. Health Care Benefits

The Career Center offers employee, medical and dental benefits through the Wood County Insurance Consortium. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on the terms of the union contract. The Career Center provides life insurance and accidental death and dismemberment insurance to most employees through MetLife. Vision coverage is provided through Vision Service Plan.

C. Separation Benefits

The Career Center provides a separation benefit to eligible certified employees. A full-time employee eligible to retire under the provisions of the State Teachers Retirement System, that has ten years of service with the Career Center, will be paid \$1,500 if notification of pending retirement is submitted in writing to the Superintendent no later than March 1 for retirement effective at the end of the current school year or prior to the following school year. There were no separation benefits payable at June 30, 2012.

NOTE 13 - RISK MANAGEMENT

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. During fiscal year 2012, the Career Center contracted for the following insurance coverage.

Coverage provided by the Netherlands Insurance Company is as follows:

Building	\$103,364,102
Equipment breakdown	50,000
Computer equipment	2,415,653
Computer software	100,000
Rented equipment & tools	75,000
Automobile liability	1,000,000

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

NOTE 13 - RISK MANAGEMENT - (Continued)

Coverage provided by Ohio School Plan is as follows:

Educational general liability	
Per occurrence	\$3,000,000
General aggregate	5,000,000
Employer's liability	3,000,000
Educational legal liability	
Errors and omissions	3,000,000
Aggregate	5,000,000
Fiduciary/Employee Benefits liability	
Errors and omissions	3,000,000
Aggregate	5,000,000
Violence coverage	1,000,000

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

For fiscal year 2012, the Career Center participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverages and deductibles selected by the participant.

The Career Center participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. 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. The third party administrator, Sheakley Uniservice, Inc., reviews each participant's claims experience and determines the rating tier for that participant. A common premium is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for its rating tier rather than its individual rate. Sheakley provides administrative, cost control, and actuarial services to the Plan.

The Career Center participates in the Wood County Insurance Consortium (WCIC), a public entity shared risk pool of six local districts, two exempted village school districts, a city school district, the Career Center, and an educational service center. The Career Center pays monthly premiums to the WCIC for employee medical and dental benefits. Upon withdrawal from the WCIC, a participant is responsible for the payment of all liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

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

NOTE 14 - 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 \$330,772, \$354,712 and \$476,457, respectively; 88.88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 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 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.

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

NOTE 14 - PENSION PLANS - (Continued)

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 \$1,820,698, \$1,874,464 and \$1,832,757, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$49,240 made by the Career Center and \$35,172 made by the plan members.

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 15 - 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 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".

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

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

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 \$49,646, \$100,553 and \$70,477, respectively; 88.88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 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 \$19,534, \$22,826 and \$28,334, respectively; 88.88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 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' 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 2012, 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 \$140,054, \$144,190 and \$140,981, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

NOTE 16 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The Career Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the Career Center at June 30, 2012, if applicable, cannot be determined at this time.

A. Litigation

There are currently no legal matters in litigation with the Career Center as defendant or plaintiff.

NOTE 17 - 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 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.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	335,317
Current year qualifying expenditures	(421,017)
Current year offsets	<u>(5,468,033)</u>
Total	<u>\$ (5,553,733)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

NOTE 18 - 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:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 391,549
Other governmental	<u>91,152</u>
Total	<u>\$ 482,701</u>

REQUIRED SUPPLEMENTAL INFORMATION

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

SCHEDULE 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	\$ 10,691,291	\$ 10,758,600	\$ 10,762,810	\$ 4,210
Tuition.	-	-	8,175	8,175
Contract services.	-	-	10,045	10,045
Earnings on investments	39,750	40,000	46,065	6,065
Rental income	-	-	2,559	2,559
Other local revenues	14,906	15,000	14,559	(441)
Intergovernmental - State	15,236,961	15,332,888	15,363,258	30,370
Total revenue	<u>25,982,908</u>	<u>26,146,488</u>	<u>26,207,471</u>	<u>60,983</u>
Expenditures:				
Current:				
Instruction:				
Special.	829,972	838,238	832,050	6,188
Vocational.	15,687,966	15,844,201	15,808,585	35,616
Other.	574,539	580,261	578,319	1,942
Support services:				
Pupil.	2,396,102	2,419,964	2,407,489	12,475
Instructional staff	2,270,957	2,293,573	2,280,242	13,331
Board of education	81,741	82,555	78,140	4,415
Administration.	778,326	786,077	759,493	26,584
Fiscal	576,964	582,710	577,052	5,658
Operations and maintenance.	2,582,609	2,608,329	2,549,391	58,938
Central.	338,028	341,394	340,683	711
Operation of non-instructional services	11,189	11,300	11,219	81
Extracurricular activities.	287,154	290,014	280,990	9,024
Total expenditures	<u>26,415,547</u>	<u>26,678,616</u>	<u>26,503,653</u>	<u>174,963</u>
Excess of expenditures over revenues	<u>(432,639)</u>	<u>(532,128)</u>	<u>(296,182)</u>	<u>235,946</u>
Other financing sources (uses):				
Advances in.	140,863	140,863	140,863	-
Advances (out)	(150,000)	(186,931)	(186,931)	-
Total other financing sources (uses)	<u>(9,137)</u>	<u>(46,068)</u>	<u>(46,068)</u>	<u>-</u>
Net change in fund balance	(441,776)	(578,196)	(342,250)	235,946
Fund balance at beginning of year.	5,627,585	5,627,585	5,627,585	-
Prior year encumbrances appropriated	<u>331,010</u>	<u>331,010</u>	<u>331,010</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,516,819</u>	<u>\$ 5,380,399</u>	<u>\$ 5,616,345</u>	<u>\$ 235,946</u>

SEE ACCOMPANYING NOTES TO THIS SCHEDULE

PENTA CAREER CENTER

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

While the Career Center is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (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 schedule of revenues, expenditures, and changes in fund balance - budget (non-GAAP basis) and actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. Although the legal level of budgetary control has been established at the fund level of expenditures, the Career Center has elected to present budgetary statement comparisons at the fund and function level of expenditures.

The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advance-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Investments are reported as fair value (GAAP basis) rather than cost (budget basis).
6. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP statement and budgetary basis schedule for the general fund:

	<u>General</u>
Budget basis	\$ (342,250)
Net adjustment for revenue accruals	(780,724)
Net adjustment for expenditure accruals	634,094
Net adjustment for other sources/(uses)	46,068
Fund budgeted elsewhere*	267,961
Adjustment for encumbrances	<u>481,527</u>
GAAP basis	<u>\$ 306,676</u>

*Certain funds that are legally budgeted in separate special revenue and agency funds are considered part of the general fund on a GAAP basis. This includes the rotary, other grant, and education foundation special revenue funds.

SUPPLEMENTARY DATA

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

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Grant Cluster:</i>				
(C) , (D) School Breakfast Program	10.553	2012	\$ 62,292	\$ 62,292
(C) , (D) National School Lunch Program - Food Donation	10.555	2012	33,156	33,156
(D) , (E) National School Lunch Program	10.555	2012	224,995	224,995
Total National School Lunch Program			<u>258,151</u>	<u>258,151</u>
Total Child Nutrition Grant Cluster			<u>320,443</u>	<u>320,443</u>
Team Nutrition Grants	10.574	2010	1,500	1,500
Team Nutrition Grants	10.574	2011	1,500	1,500
Total Team Nutrition Grants			<u>3,000</u>	<u>3,000</u>
Total U.S. Department of Agriculture			<u>323,443</u>	<u>323,443</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(F) Federal Pell Grant Program	84.063	2012	207,400	207,400
Adult Education_State Grant Program	84.002	2011	91,703	106,864
Adult Education_State Grant Program	84.002	2012	492,258	524,121
Total Adult Education_State Grant Program			<u>583,961</u>	<u>630,985</u>
(G) Career and Technical Education_Basic Grants to States (Adult)	84.048	2012	27,590	27,590
Career and Technical Education_Basic Grants to States (Secondary)	84.048	2011	22,254	26,964
Career and Technical Education_Basic Grants to States (Secondary)	84.048	2012	285,628	330,212
Total Career and Technical Education_Basic Grants to States (Secondary)			<u>307,882</u>	<u>357,176</u>
Total Vocational Education			<u>335,472</u>	<u>384,766</u>
Improving Teacher Quality State Grants	84.367	2011	23	-
Improving Teacher Quality State Grants	84.367	2012	6,905	8,874
Total Improving Teacher Quality State Grants			<u>6,928</u>	<u>8,874</u>
ARRA - Race to the Top - Ohio Residence Program, Recovery Act	84.395A	2012	2,800	2,800
Total U.S. Department of Education			<u>1,136,561</u>	<u>1,234,825</u>
Total Federal Financial Assistance			<u>\$ 1,460,004</u>	<u>\$ 1,558,268</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2012.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (F) This is a direct award.
- (G) Passed through the Four County Career Center.



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**Independent Accountants' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required By *Government Auditing Standards***

Penta Career Center
9301 Buck Road
Perrysburg, Ohio 43551

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 Penta Career Center, Wood County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise Penta Career Center's basic financial statements and have issued our report thereon dated December 21, 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 Penta 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 Penta Career Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of Penta 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 Penta 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.

Board of Education
Penta Career Center

Compliance and Other Matters

As part of reasonably assuring whether Penta 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 the management and Board of Education of Penta Career Center, federal awarding agencies and pass-through entities, and others within Penta Career Center. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 21, 2012



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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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**

Penta Career Center
9301 Buck Road
Perrysburg, Ohio 43551

To the Board of Education:

Compliance

We have audited the compliance of Penta 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 Penta Career Center's major federal programs for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies Penta Career Center's major federal programs. Penta 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 Penta 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 Penta 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 Penta Career Center's compliance with those requirements.

In our opinion, the Penta Career Center 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 fiscal year ended June 30, 2012.

Internal Control Over Compliance

The Penta 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 Penta Career Center's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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 Penta Career Center's internal control over compliance.

Board of Education
Penta Career Center

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 would not necessarily 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.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 21, 2012

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

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

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under §.510(a)?</i>	No
(d)(1)(vii)	<i>Major Programs (listed):</i>	Child Nutrition Cluster: School Breakfast Program, CFDA #10.553 and National School Lunch Program, CFDA #10.555; Federal Pell Grant Program, CFDA #84.063
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

PENTA CAREER CENTER

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 7, 2013**