



Mary Taylor, CPA  
Auditor of State



**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008 .....	3
Statement of Net Assets – June 30, 2008 .....	7
Statement of Revenues, Expenses, and Changes in Nets Assets - For the Fiscal Year Ended June 30, 2008 .....	8
Statement of Cash Flows – For the Fiscal Year Ended June 30, 2008.....	9
Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008 .....	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	21
Schedule of Findings.....	23
Schedule of Prior Audit Findings.....	26

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Pace Career Central Community School  
Montgomery County  
4128 Cedar Ridge Avenue  
Dayton, Ohio 45414

To the Governing Board:

We were engaged to audit the accompanying basic financial statements of Pace Career Central Community School, Montgomery County (the School), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management has not provided the Auditor of State certain written representations, including but not limited to, management's responsibility for preparing the financial statements in conformity with the School's accounting basis; the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility for the School's compliance with laws and regulations; the identification and disclosures to the Auditor of State of all laws, regulations, and provisions of contract and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, including budget laws, compliance with any debt covenants; the identification of all federal assistance programs, and compliance with federal grant requirements.

Supporting documentation was not maintained for certain expenses totaling \$97,385.

The School failed to develop a capital asset accounting system, failed to maintain original supporting documentation which itemized and identified capital assets purchased, failed to identify the location of assets within the School, or develop and/or implement procedures to record capital asset additions and deletions.

Supporting documentation was not maintained for student full-time equivalencies reported to the Ohio Department of Education (ODE). Full-time equivalencies are used by ODE to calculate the School's State Foundation Settlement payments. State Foundation revenue represents 90 percent of the School's total operating revenue.

Since the School did not provide the evidence describe in the preceding four paragraphs, and the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the basic financial statements referred to in the first paragraph.

The School has not fully paid the Auditor of State for services provided more than one year prior to our opinion date amounting to \$29,936.86. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located.

As indicated in Note 15c, Pace Career Central Community School was placed under suspension by its sponsor, Lucas County Educational Service Center on August 7, 2008. The School has not had any students since June 30, 2008 and on July 14, 2009; the School's sponsor has closed the school.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2010, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



**Mary Taylor, CPA**  
Auditor of State

January 4, 2010

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

The management's discussion and analysis of the Pace Career Central Community School (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets were \$204,243 at June 30 2008 which represents an increase of \$33,440 or 19.58% over net assets at June 30, 2007.
- The School had operating revenues of \$755,800 and operating expenses of \$1,010,201 for fiscal year 2008. The School also received \$243,866 in federal and State grants and \$43,975 in gifts and contributions during fiscal year 2008. The total change in net assets for the fiscal year was an increase of \$33,440.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

**Reporting the School Financial Activities**

**Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows**

These documents look at all financial transactions and ask the question, "How did we do financially during 2008?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The first two statements report the School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the School finances and is meeting the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 10-19 of this report.

The table below provides a summary of the School's net assets for fiscal years 2008 and 2007.

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)  
(Continued)**

Net Assets		
	2008	2007
<b>Assets:</b>		
Current assets	\$ 86,686	\$ 48,979
Capital assets, net	217,918	181,695
Total assets	304,604	230,674
<b>Liabilities:</b>		
Current liabilities	100,361	59,871
Total liabilities	100,361	59,871
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	217,918	181,695
Restricted	33,523	4,083
Unrestricted	(47,198)	(14,975)
Total net assets	\$204,243	\$170,803

At June 30, 2008, the School's current assets increased by \$37,707, which represents a 76.99% increase from fiscal year 2007. Cash and cash equivalents increased by \$15,875, total receivables increased by \$21,606, and prepaid items increased by \$226. Cash and cash equivalents increased as the School did not have any required loan payments in fiscal year 2008. In 2007, the School made loan principal and interest payments of \$44,150 and \$2,493, respectively. The business loan was paid in full during fiscal year 2007. Intergovernmental receivables increased primarily due to a 21<sup>st</sup> Century grant that is due to the School at June 30, 2008. Capital assets increased due to the acquisition of \$67,306 of capital assets in fiscal year 2008 reduced by \$31,083 in depreciation expenses for fiscal year 2008.

Current liabilities increased primarily due a liability for an overpayment of State foundation which is due to the Department of Education. A liability for this overpayment in the amount of \$55,980 is recorded on the financial statements at June 30, 2008.

The net assets restricted in capital assets increased due to the excess of current year capital asset acquisitions over the current year depreciation expense. Restricted net assets increased as the School received additional grant funds in fiscal year 2008 that are restricted for State and Federal programs. The deficit balance of unrestricted net assets decreased \$32,223 from a deficit of \$14,975 at June 30, 2007 to a deficit of \$47,198 at June 30, 2008. Unrestricted net assets represent the net assets that may be used to finance the day-to-day operations of the School.

The table below shows the changes in net assets for fiscal years 2008 and 2007.

Change in Net Assets		
	2008	2007
<b>Operating Revenues:</b>		
State foundation	\$ 678,700	\$741,513
Poverty-based assistance	74,179	14,525
Special education	2,921	16,931
Other operating revenue		3,244
Total operating revenue	755,800	776,213

(Continued)

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)  
(Continued)**

**Change in Net Assets  
(Continued)**

	<u>2008</u>	<u>2007</u>
<b>Operating Expenses:</b>		
Salaries and wages	262,803	216,533
Fringe benefits	65,188	60,869
Purchased services	473,054	420,338
Rent	93,600	93,670
Materials and supplies	61,373	99,987
Depreciation	31,083	25,033
Other	23,100	
Total operating expenses	<u>1,010,201</u>	<u>916,430</u>
<b>Non-operating revenues (expenses):</b>		
Federal and state grants	243,866	214,593
Contributions and donations	43,975	46,557
Interest and fiscal charges		(2,493)
Total non-operating revenues (expenses)	<u>287,841</u>	<u>258,657</u>
Change in net assets	33,440	118,440
Net assets at beginning of year	170,803	52,363
Net assets at end of year	<u>\$ 204,243</u>	<u>\$170,803</u>

Total operating revenues decreased \$20,413 from fiscal year 2007. State foundation revenue, the largest component of operating revenues, decreased \$62,813 or 8.47% from fiscal year 2007. State foundation revenue, as a whole is the primary support for the School, representing 89.80% of the operating revenue during fiscal year 2008. Community schools receive no support from tax revenues.

The increase in operating expenses of \$93,771 was due to increases in salaries and wages, fringe benefits, and purchased services which comprised 79.30% and 76.14% of operating expenses during fiscal years 2008 and 2007, respectively.

Federal and state grant revenue increased \$29,273 or 13.64% from fiscal year 2007. The District received additional grant funding from federal and state in fiscal year 2008 versus 2007.

**Capital Assets**

At June 30, 2008, the School had \$217,918 invested in furniture and equipment, net of accumulated depreciation. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

**Debt Administration**

At June 30, 2008, the School does not have any debt obligations outstanding. In fiscal year 2007, the District made principal payments of \$44,150 to pay off a business loan.

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)  
(Continued)**

**Current Financial Related Activities**

The School receives its finances mostly from State aid. In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for State and Federal funds that are made available to finance its operations.

**Contacting the School's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact the School's sponsor, the Lucas County Educational Service Center, Office of Community Schools, 4955 Seaman Road, Oregon, Ohio 43616.

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2008**

**Assets:**

**Current assets:**

Cash and cash equivalents \$33,610

**Receivables:**

Intergovernmental 52,850

Prepayments 226

Total current assets 86,686

**Non-current assets:**

Capital assets being depreciated, net 217,918

Total non-current assets 217,918

Total assets 304,604

**Liabilities:**

**Current liabilities:**

Accounts payable 17,149

Accrued wages and benefits 14,075

Intergovernmental payable 69,137

Total liabilities 100,361

**Net Assets:**

Invested in capital assets, net of related debt 217,918

**Restricted for:**

State funded programs 886

Federally funded programs 32,637

Unrestricted (47,198)

Total net assets \$204,243

*See accompanying notes to the basic financial statements.*

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<b>Operating revenues:</b>	
State foundation	\$678,700
Poverty-based assistance	74,179
Special education	2,921
Total operating revenue	<u>755,800</u>
<b>Operating expenses:</b>	
Salaries and wages	262,803
Fringe benefits	65,188
Purchased services	473,054
Rent	93,600
Materials and supplies	61,373
Depreciation	31,083
Other	23,100
Total operating expenses	<u>1,010,201</u>
Operating loss	<u>(254,401)</u>
<b>Non-operating revenues:</b>	
Federal and State grants	243,866
Contributions and donations	43,975
Total non-operating revenues	<u>287,841</u>
Change in net assets	33,440
Net assets at beginning of year	<u>170,803</u>
Net assets at end of year	<u><u>\$204,243</u></u>

*See accompanying notes to the basic financial statements.*

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<b>Cash flows from operating activities:</b>	
Cash received from State foundation	\$749,107
Cash received from poverty-based assistance	74,179
Cash received from special education	2,921
Cash payments for salaries and wages	(266,806)
Cash payments for fringe benefits	(54,380)
Cash payments for purchased services	(495,350)
Cash payments for materials and supplies	(61,598)
Cash payments for rent	(93,600)
Cash payments for other operating expenses	(23,100)
	<hr/>
Net cash used in operating activities	(168,627)
	<hr/>
<b>Cash flows from noncapital financing activities:</b>	
Federal and state grants	207,833
Cash received from contributions and donations	43,975
	<hr/>
Net cash provided by noncapital financing activities	251,808
	<hr/>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(67,306)
	<hr/>
Net cash used in capital and related financing activities	(67,306)
	<hr/>
Net increase in cash and cash equivalents	15,875
Cash and cash equivalents at beginning of period	17,735
Cash and cash equivalents at end of period	33,610
	<hr/> <hr/>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	(254,401)
<b>Adjustments:</b>	
Depreciation	31,083
<b>Changes in assets and liabilities:</b>	
Decrease in intergovernmental receivable	14,427
Increase in prepayments	(226)
Decrease in accounts payable	(13,168)
Decrease in accrued wages and benefits	(4,054)
Increase in intergovernmental payable	57,712
	<hr/>
Net cash used in operating activities	(\$168,627)
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*See accompanying notes to the basic financial statements.*

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**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

The Pace Career Central Community School (the "School"), formerly known as the Main Street Automotive Magnet School, is an Ohio Public Benefit Corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades 9 through 12. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School is a non-profit organization that has obtained exemption from federal income taxes as a tax exempt organization under Section 501(C)(3) of the Internal Service Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

The School was approved for operation under contract with the Lucas County Educational Service Center (the "Sponsor") commencing September 20, 2004 and ending June 30, 2009. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The School contracted with RJ Investments to perform extended education services, such as contract for goods and services, select personnel, and procurement of insurance.

The School operates under the direction of a five-member Governing Board. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The primary government of the School consists of one fund, several departments and the Board. School programs include general operations and student related activities of the School. The School is associated with the Metropolitan Dayton Educational Cooperative Association, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources. See Note 13 for further detail.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the School 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 School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The School's significant accounting policies are described below.

**A. Basis of Presentation**

The School's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. The School uses a single enterprise fund to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**B. Measurement Focus**

The accounting and financial reporting treatment of an entity's financial transactions is determined by the entity's measurement focus. The enterprise activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets its cash flow needs.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recognized in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

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.

Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract agreement between the School and its Sponsor does not prescribe a budgetary process for the School.

**E. Cash and Cash Equivalents**

The School maintains an interest bearing depository account. Monies for all funds of the School are pooled and maintained in this account. This account is presented on the statement of cash basis assets and net cash assets as "cash and cash equivalents". The School had no investments during fiscal year 2008.

**F. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the dates received. The School maintains a capitalization threshold of \$1,000. The School 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.

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Live</u>
Furniture and equipment	5-30 years

**G. Intergovernmental Revenues**

The School currently participates in the State Foundation Program and Poverty-Based Assistance Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met because these programs are used to support the main operations of the School.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**I. 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. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The statement of net assets reports \$33,523 of restricted net assets, none of which are restricted by enabling legislation.

**J. Estimates**

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

**K. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported on the statement of net assets. The School had no long-term obligations outstanding at June 30, 2008.

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2008, the School has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the School; however, certain disclosures related to postemployment benefits (see Note 11) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the School.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the School.

**4. DEPOSITS AND INVESTMENTS**

At June 30, 2008, the carrying amount of all School deposits was \$33,610. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, the School's entire bank balance of \$40,471 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School'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 School.

The School had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**5. RECEIVABLES**

Receivables at June 30, 2008, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

<b>Intergovernmental receivables:</b>	<b>Amount</b>
IDEA-B	\$ 2,200
21st Century grant	46,096
Food service subsidy	4,554
Total intergovernmental receivables	\$52,850

**6. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<b>Balance 06/30/07</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 06/30/08</b>
<b>Capital assets, being depreciated:</b>				
Furniture and equipment	\$210,412	\$67,306		\$277,718
Total capital assets, being depreciated	210,412	67,306		277,718
<b>Accumulated depreciation:</b>				
Furniture and equipment	(28,717)	(31,083)		(59,800)
Total accumulated depreciation	(28,717)	(31,083)		(59,800)
Capital assets, net	\$181,695	\$36,223	\$0	\$217,918

**7. RISK MANAGEMENT**

**A. Property and Liability**

The School 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 2008, the School contracted with Insurance First of Columbus for general liability, property, and fleet insurance as follows:

<b>Limits of Coverage</b>	<b>Coverage</b>
Commercial general liability	
Per occurrence	\$1,000,000
Per person – medical payments	5,000
General aggregate	2,000,000
Damages to rented premises per occurrence	200,000
Excess/umbrella liability	5,000,000

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

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying annual gross payroll by a factor calculated by the State.

**8. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining sick leave components are derived from State laws. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 120 days. Upon retirement, payment is made for one-fourth of the total accumulated and unused sick leave balance, up to a maximum of 120 days per employees.

**B. Employee Benefits**

The School provides health insurance through Anthem Blue Cross and Blue Shield.

**9. PURCHASED SERVICES**

For fiscal year 2008, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical services	\$260,678
Property services	38,875
Travel	84,386
Communications	35,904
Utilities	37,650
Contracted craft or trade	4,280
Other	11,281
Total	<u>\$473,054</u>

**10. PENSION PLANS**

**A. School Employees Retirement System**

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

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**10. PENSION PLANS (Continued)**

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended 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 School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$13,965, \$12,004 and \$7,567, respectively; 84.81 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

**Plan Description** - The School 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 Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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.

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.

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**10. PENSION PLANS (Continued)**

**Funding Policy** - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School 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 School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$14,866, \$13,477, and \$21,483, respectively; 38.38 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$14,430 made by the School and \$2,624 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, 2008, certain members of the Board of Education have elected Social Security. The School's liability is 6.2 percent of wages paid.

**11. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** - The School 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

**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 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$6,372, \$3,985, and \$2,641, respectively; 84.81 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal years 2007 and 2006.

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,006, \$816, and \$602, respectively; 84.81 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

**Plan Description** - The School 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](http://www.strsoh.org) 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 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,144, \$1,037, and \$1,653, respectively; 38.38 percent has been contributed for 2008 and 100 percent has been contributed for fiscal years 2007 and 2006.

**12. OPERATING LEASES**

The School leased office space from P.K. Investments under a non-cancelable operating lease. The term of the lease commenced on July 1, 2007 and terminated on June 30, 2008. The lease payments were \$1,800 per month. The School made lease payments of \$21,600 during fiscal year 2008.

The School leased office space from Queen of Martyrs Roman Catholic Church under a non-cancelable operating lease. The original term of the lease commenced on August 1, 2006 and terminated on May 31, 2008. During the period August 1, 2006 through May 31, 2007 lease payments were \$4,000 per month. During the period June 1, 2007 through May 31, 2008 lease payments were \$6,000 per month. The School renewed the lease for an additional twelve months, commencing on June 1, 2008 and terminating on May 31, 2009. For the period June 1, 2008 through August 31, 2008 lease payments are \$6,000 per month and for the period September 1, 2008 through May 31, 2009 lease payments are \$7,800 per month. The School made lease payments of \$72,000 during fiscal year 2008.

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATION**

**Metropolitan Dayton Educational Cooperative Association (MDECA)** - The School is a participant in MDECA, which is a computer consortium of 25 public school districts within the boundaries of Darke, Greene, Miami, and Montgomery Counties and the cities of Dayton, Troy and Greenville. 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 school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School paid MDECA \$5,696 for services provided during the fiscal year. Financial information is available from Jerry C. Woodyard, Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

**14. RELATED PARTY TRANSACTIONS**

The School contract requires one percent of all funds received from the State of Ohio to be transferred to the Lucas County Educational Service Center for sponsorship fees. Total payments made during fiscal year ended June 30, 2008 were \$8,707.

**15. CONTINGENCIES**

**A. Grants**

The School 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2008.

**B. Ohio Department of Education Enrollment Review**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

For fiscal year 2008, the result of this review resulted in an overpayment of Foundation Revenue of \$55,980 and is reported as a liability on the financial statements at June 30, 2008.

**C. School Status**

Pace Career Central Community School was placed under suspension by its sponsor, Lucas County Educational Service Center on August 7, 2008. The School has been closed since June 30, 2008. On July 14, 2009; the School's sponsor approved a termination letter for the School. On October 14, 2009; the School's sponsor closed the school.



# Mary Taylor, CPA

## Auditor of State

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

Pace Career Central Community School  
Montgomery County  
4128 Cedar Ridge Avenue  
Dayton, Ohio 45414

To the Governing Board:

We were engaged to audit the financial statements of the business-type activity of Pace Career Central Community School (the School) as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 4, 2010. Our report indicated the School failed to provide written representations, safeguard or document revenue, expenditures, or capital assets, or provide information regarding pending or threatened litigation, and we did not express an opinion. In addition, our report indicated the School's operation was terminated on October 14, 2009 and the audit cost has not been paid in full. Except as discussed in the preceding sentence, we conducted our engagement 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 engagement, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

**Internal Control Over Financial Reporting  
(Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-001 through 2008-003, and 2008-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-001 through 2008-003 and 2008-005 are material weaknesses.

We also noted certain internal control matters that that we reported to the School's management in a separate letter dated January 4, 2010.

**Compliance and Other Matters**

As part of reasonably assuring whether the School'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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-003 through 2008-005.

We also noted certain or other matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated January 4, 2010.

We intend this report solely for the information and use of management, Governing Board, and sponsor Lucas County Educational Service Center. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

January 4, 2010

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2008**

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

**FINDING NUMBER 2008-001**

**Significant Deficiency, Material Weakness - Workforce Investment Act Grant Receipts and State Foundation Receipts**

During fiscal year 2008 the School entered into a contract with the Montgomery County Commissioners acting on behalf of the Montgomery County Department of Job and Family Services to receive federal funds under the Workforce Investments Act (WIA) for providing in school and out-of-school training services to enrolled participants ages 14 through 21.

The School posted \$36,725 of receipts for these federal funds as contributions and donations revenue instead of federal and state grant revenue.

Also, the School posted \$51,911 of state foundation parity aid receipts as poverty based assistance revenue instead of state foundation revenue.

Procedures, such as review by people independent of the receipt process and/or comparison of current year's data with prior years, should be established and implemented to verify the completeness and accuracy of the financial records/statements. Failure to do so could result in material inaccuracies on the School's financial statements being unnoticed and management using incorrect figures in making fiscal decisions. Proper classification of receipts would provide for better tracking of the federal and state receipts, expenditures and corresponding compliance requirements related to these programs and OMB Circular A-133.

**Officials' Response**

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

**FINDING NUMBER 2008-002**

**Significant Deficiency, Material Weakness - Adopting Policy Regarding the Enrollment and Withdrawal of Students**

No formal written policy has been adopted to establish the School's procedures for enrolling and withdrawing pupils. The policy should, at a minimum, include procedures for documenting student absences, notifying the resident public school of withdrawn students or students truant for more than 105 or more consecutive hours, identifying and tracking all students for whom the school is responsible, such as students: residing and attending public schools, over the age of 18 that are not residing with a guardian, placed by the courts in facilities outside the school, and students attending other community schools.

Failure to retain formal written policies over the enrollment and withdrawing of pupil and not maintaining records over the student absences and attendance can have a material effect on the financial statement due to state foundation revenue is based on the enrollment numbers that are submitted to Ohio Department of Education (ODE). State Foundation revenue was 65% of the total revenue for the School. Without formal written policy and records documenting enrolled students, users of the financial statements, as well as management, could not determine whether or not the revenue posted was accurately stated. The School should adopt a policy to aid in the proper reporting of daily student counts reported on the Ohio Department of Education's Educational Management Information System (EMIS).

**FINDING NUMBER 2008-002  
(Continued)**

**Officials' Response**

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

**FINDING NUMBER 2008-003**

**Noncompliance Citation, Material Weakness**

**Ohio Admin. Code Section 117-2-02(D)(4)(c)** states, that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

Capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

The Asset records maintained by the School presented the assets by class, and did not provide a means of identifying which items were capitalized. The accounting records did not comply with the general requirements mentioned above, resulting in management, the users of the financial statements, and the auditors being unable to determine the proper amounts to be recorded as capital assets on the financial statements. For example, the records did not include the acquisition date, voucher number, asset description, location, or the tag number. Capital asset records should include the afore mentioned attributes as well as all assets should include identification tags so they can be verified to the capital asset listing and financial statement information and be monitored by the management for proper insurance coverage or theft of assets.

**Officials' Response**

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

**FINDING NUMBER 2008-004**

**Noncompliance Citation**

**Ohio Rev. Code Section 3314.02(E)(3)** and **Part II K of the Community School Contract** with the Lucas County Educational Service Center (the Sponsor) state that the school governing authority shall consist of a Board of not less than five individuals who are not owners or employees, or immediate relatives of owners or employees of any for-profit company that operates or manages a School for the governing authority.

During fiscal year 2008, one of the seven Governing Board members was the president of the for-profit management company, RJ Investments.

Procedures should be developed and implemented to verify that the School is in compliance with the required sections of the Ohio Rev. Code and the Sponsor's contract to provide independent oversight by the Board.

**Officials' Response**

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

**FINDING NUMBER 2008-005**

**Noncompliance Citation, Material Weakness**

**Ohio Rev. Code Section 149.351(A)** states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by the outgoing official and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully.

The School did not maintain underlying documentation for daily student counts reported on the Ohio Department of Education's Educational Management Information System (EMIS) nor the Data Accuracy Summary Report.

Also, of the 529 checks paid during the audit period, the School did not retain original unaltered invoices for 78 checks (totaling \$97,385).

The use of original unaltered supporting documentation provides assurance that all checks have been issued properly. The School should implement procedures to strengthen controls over the expenditure process and only make payments after obtaining original invoices. In addition, the School should maintain such original supporting documentation with the voucher when the check is issued.

Failure to retain these required public records resulted in management, the users of the financial statements, and the auditors being unable to determine the proper amounts to be recorded as school foundation revenue and proper classification of expenditures on the financial statements. The records not including original unaltered invoices and underlying documentation for daily student counts could cause potential problems for management making future financial decisions regarding the School. The School should implement procedures which would strengthen control over the preservation of records.

**Officials' Response**

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

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2007-001	Abuse of Lease	No	Finding no longer applicable – no lease during audit period.
2007-002	Misclassified Intergovernmental Revenue	No	Reissued as 2008-001.
2007-003	ORC 117.28 - Finding for Recovery – Overpayment of Management Fee – Public Monies Illegally expended	No	Amount was not repaid as of January 4, 2010.
2007-004	OAC 117-2-02 (D) Lack of Capital Asset Records	No	Reissued as 2008-003.
2007-005	ORC 3314.02 (E) and School Contract – The Board included one member of Management Company	No	Reissued as 2008-004.
2007-006 – 2007-008	ORC 117.28 - Finding For Recovery – Illegal Expenditure/Proper Public Purpose	No	Amounts were not repaid as of January 4, 2010.
2007-009 – 2007-011	ORC 117.28 - Finding For Recovery – Expenditures Lacking Proper Supportive Documentation	No	Amounts were not repaid as of January 4, 2010.
2007-012	ORC 149.351 (A) – Not maintaining supporting documentation for receipts or payments.	No	Reissued as 2008-005.
2007-013	ORC 3314.03 - Lack of Internal Control process	No	Finding no longer applicable – no Finding for Recoveries issued.



Mary Taylor, CPA  
Auditor of State

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY 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 16, 2010**