



Dave Yost • Auditor of State

**PENTA CAREER CENTER
WOOD COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities.....	16
Fund Financial Statements	
Balance Sheet – Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Fiduciary Net Position – Fiduciary Funds	21
Statement of Change in Fiduciary Net Position –Private Purpose Trust Funds	22
Notes to the Basic Financial Statements	23
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund	53
Notes to the Required Supplementary Information.....	54
Federal Awards Receipts and Expenditures Schedule.....	55
Notes to the Federal Awards Receipts and Expenditures Schedule	56
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	57
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	59
Schedule of Findings.....	61

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INDEPENDENT AUDITOR'S REPORT

Penta Career Center
Wood County
9301 Buck Road
Perrysburg, Ohio 43551-3841

To the Board of Education:

Report on the Financial Statements

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 (the Center), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Center's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, Wood County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and required budgetary comparison schedule 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Center's basic financial statements taken as a whole.

The Federal Award Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

December 17, 2014

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**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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, 2014. 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 2014 are as follows:

- In total, net position of governmental activities increased \$1,770,845 which represents a 3.09 percent increase from 2013.
- General revenues accounted for \$26,709,174 in revenue or 75.70 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$8,575,304 or 24.30 percent of total revenues of \$35,284,478.
- The Career Center had \$33,513,633 in expenses related to governmental activities; \$8,575,304 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 \$27,539,786 in revenues and other financing sources and \$26,297,302 in expenditures. During fiscal year 2014, the general fund's fund balance increased \$1,242,484 or 14.36 percent from a balance of \$8,650,541 to \$9,893,025.
- The fund balance of the permanent improvement fund increased \$750,890 or 11.81 percent during fiscal year 2014.

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 position* 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 non-major funds presented in total in one column. The Career Center has two major governmental funds: the general 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, 2014
UNAUDITED

Reporting the Career Center as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities reflect how the Career Center did financially during fiscal year 2014. These statements include *all assets, deferred outflows, liabilities, deferred inflows, 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 position* and changes in that position. This change in net position 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 position 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.

Reporting the Career Center's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Career Center's major funds. The Career Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Career Center's most significant funds. The Career Center's major governmental funds are the general fund and the 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 position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements.

Reporting the Career Center's Fiduciary Responsibilities

The Career Center 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. These activities are excluded from

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

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.

The Career Center as a Whole

The statement of net position provides the perspective of the Career Center as a whole. The table below provides a summary of the Career Center's net position for 2014 and 2013.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
<u>Assets</u>		
Current and other assets	\$ 34,247,879	\$ 31,615,133
Capital assets	<u>83,131,931</u>	<u>85,010,448</u>
Total assets	<u>117,379,810</u>	<u>116,625,581</u>
<u>Deferred outflows of resources</u>	<u>4,536,938</u>	<u>4,866,897</u>
<u>Liabilities</u>		
Current liabilities	3,434,903	3,002,839
Long-term liabilities	<u>45,884,572</u>	<u>48,068,539</u>
Total liabilities	<u>49,319,475</u>	<u>51,071,378</u>
<u>Deferred inflows of resources</u>	<u>13,471,162</u>	<u>13,065,834</u>
<u>Net Position</u>		
Net investment in capital assets	44,520,385	44,336,034
Restricted	7,138,185	6,691,722
Unrestricted	<u>7,467,541</u>	<u>6,327,510</u>
Total net position	<u>\$ 59,126,111</u>	<u>\$ 57,355,266</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the Career Center's assets and deferred outflows exceeded liabilities and deferred inflows by \$59,126,111.

At June 30, 2014, capital assets represented 70.82 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and building improvements, furniture, fixtures and equipment and vehicles. The net investment in capital assets at June 30, 2014 was \$44,520,385. 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

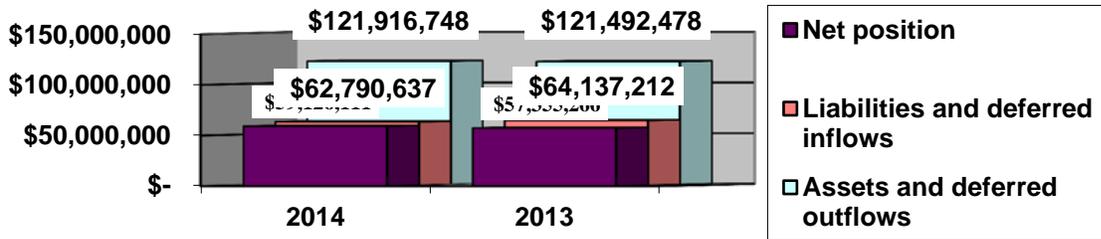
**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

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 position, \$7,138,185, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$7,467,541 may be used to meet the Career Center's ongoing obligations to the students and creditors.

Governmental Activities



The table below shows the change in net position for fiscal years 2014 and 2013.

Change in Net Position

	Governmental Activities 2014	Governmental Activities 2013
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,371,198	\$ 1,019,490
Operating grants and contributions	7,204,106	7,385,283
General revenues:		
Property taxes	15,217,822	16,101,240
Payment in lieu of taxes	239,120	298,427
Grants and entitlements	10,564,149	10,294,347
Investment earnings	135,625	123,400
Change in fair value of investments	528,374	290,476
Miscellaneous	24,084	18,519
Total revenues	35,284,478	35,531,182

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

Change in Net Position - (Continued)

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Special	\$ 903,371	\$ 951,199
Vocational	16,941,419	16,406,941
Adult/continuing	803,179	932,044
Other	720,767	582,349
Support services:		
Pupil	2,914,486	2,609,677
Instructional staff	2,475,209	2,559,569
Board of education	94,329	59,933
Administration	1,259,026	1,265,007
Fiscal	663,986	639,330
Operations and maintenance	2,963,533	2,762,018
Central	348,834	347,605
Other non-instructional services	197,284	343,544
Food service operations	811,828	842,083
Extracurricular activities	395,846	303,413
Interest and fiscal charges	<u>2,020,536</u>	<u>2,010,473</u>
Total expenses	<u>33,513,633</u>	<u>32,615,185</u>
Change in net position	1,770,845	2,915,997
Net position at beginning of year	<u>57,355,266</u>	<u>54,439,269</u>
Net position at end of year	<u>\$ 59,126,111</u>	<u>\$ 57,355,266</u>

Governmental Activities

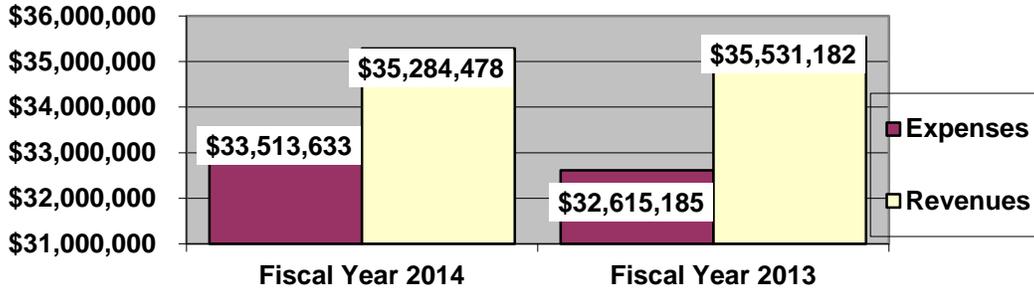
Net position of the Career Center's governmental activities increased during fiscal year 2014 by \$1,770,845. Total revenues decreased 0.69 percent during fiscal year 2014. Property tax revenue decreased by \$883,418 during fiscal year 2014. During fiscal year 2014, the Career Center received more state foundation revenue in the areas of special education additional funding and economic disadvantaged funding, which contributed to the increase in unrestricted grants and entitlements. Total interest revenues increased during fiscal year 2014 and an increase in the fair market value of the Career Center's investments was reported at June 30, 2014. Payment in lieu of tax revenue decreased during fiscal year 2014 as scheduled payments due from businesses were less than the amounts paid in fiscal year 2013. Fiscal year 2014 total expenses increased 2.75 percent from fiscal year 2013, as a result of tight control over spending.

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

The graph below presents the Career Center's governmental activities revenue and expenses for fiscal year 2014 and 2013.

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 2014 and 2013. 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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses				
Instruction:				
Special	\$ 903,371	\$ (253,471)	\$ 951,199	\$ 136,408
Vocational	16,941,419	12,761,392	16,406,941	12,247,470
Adult/continuing	803,179	36,608	932,044	(20,830)
Other	720,767	(166,317)	582,349	39,155
Support services:				
Pupil	2,914,486	2,637,979	2,609,677	2,237,390
Instructional staff	2,475,209	2,267,879	2,559,569	2,259,173
Board of education	94,329	94,329	59,933	59,933
Administration	1,259,026	1,043,687	1,265,007	938,831
Fiscal	663,986	663,986	639,330	639,330
Operations and maintenance	2,963,533	2,963,533	2,762,018	2,762,018
Central	348,834	348,834	347,605	347,605
Other non-instructional services	197,284	(27,797)	343,544	116,012
Food service operations	811,828	151,305	842,083	134,031
Extracurricular activities	395,846	395,846	303,413	303,413
Interest and fiscal charges	2,020,536	2,020,536	2,010,473	2,010,473
Total expenses	<u>\$ 33,513,633</u>	<u>\$ 24,938,329</u>	<u>\$ 32,615,185</u>	<u>\$ 24,210,412</u>

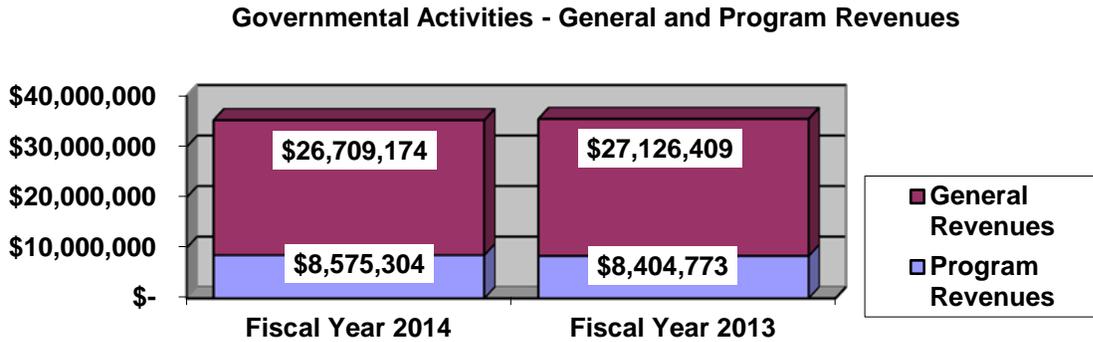
**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

The dependence upon taxes and other general revenues for governmental activities is apparent; for all governmental activities, general revenue support is 74.41 percent and 74.23 percent for fiscal years 2014 and 2013. The Career Center's taxpayers and unrestricted grants and entitlements, as a whole, are by far the primary support for Career Center's students.

Several programs, however, receive significant contributions from program revenues. For instance, 36.10 percent 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 2014 and 2013.



The Career Center's Funds

The Career Center's governmental funds reported a combined fund balance of \$17,147,308, which is higher than last year's total of \$15,226,028. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Increase (Decrease)
General	\$ 9,893,025	\$ 8,650,541	\$ 1,242,484
Permanent improvement	7,109,459	6,358,569	750,890
Other Governmental	144,824	216,918	(72,094)
Total	\$ 17,147,308	\$ 15,226,028	\$ 1,921,280

The fund balance of the Career Center's other governmental funds decreased \$72,094 during fiscal year 2014 as a result of decreases of \$44,976, \$19,263 and \$31,486 in the food service, ABLE and vocational education enhancement funds, respectively.

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

General Fund

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

	2014 <u>Amount</u>	2013 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 10,627,515	\$ 11,201,159	(5.12) %
Tuition	458,888	8,300	5,428.77 %
Earnings on investments	114,183	99,337	14.95 %
Intergovernmental	15,277,009	14,894,203	2.57 %
Other revenues	<u>1,054,355</u>	<u>891,047</u>	18.33 %
 Total	 <u>\$ 27,531,950</u>	 <u>\$ 27,094,046</u>	 1.62 %
<u>Expenditures</u>			
Instruction	\$ 16,673,741	\$ 16,346,858	2.00 %
Support services	8,962,439	8,583,515	4.41 %
Other non-instructional services	197,284	343,544	(42.57) %
Extracurricular activities	395,846	303,413	30.46 %
Capital outlay	7,836	258,558	(96.97) %
Debt service	<u>60,156</u>	<u>60,938</u>	(1.28) %
 Total	 <u>\$ 26,297,302</u>	 <u>\$ 25,896,826</u>	 1.55 %

The general fund balance increased by \$1,242,484 during fiscal year 2014; the Career Center's general fund still sees a continuation of overall revenues being more than expenditures. Tax revenue decreased 5.12 percent when compared to the prior fiscal year. Tuition revenue increased due to a change in reporting open enrollment revenues received through state foundation. Intergovernmental revenues increased as a result of the Career Center receiving more state foundation revenue in the areas of special education additional funding and economic disadvantaged funding. The increase in earnings on investments is due to the Career Center having more money invested when compared to the prior fiscal year. Other revenues increased due to an increase in the fair market value of investments in the amount of \$528,374.

Overall expenditures increased by 1.55 percent, during fiscal year 2014. Instructional services increased 2.00 percent as a result of tight control over costs. The increase in support services resulted from more classified staff in 2014. The decrease in capital outlay and debt service is due to a capital lease obligation for office equipment that were entered into during fiscal years 2013 and 2014.

Permanent Improvement Fund

The 11.81 percent increase in the fund balance of the permanent improvement fund is a result of fewer maintenance and construction projects undertaken during fiscal year 2014. During fiscal year 2014, the permanent improvement fund made \$2,070,000 and \$1,939,138 in current principal and interest

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

payments, respectively, on the certificates of participation. The fund carried over \$7,109,459 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 and it is shown as supplemental information.

During the course of fiscal year 2014, the Career Center amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$26,130,618 and \$26,288,636, respectively. Actual revenues and other financing sources for fiscal year 2014 were \$26,562,530. This represents a \$273,894 increase from final budgeted revenues.

General fund original and final appropriations (appropriated expenditures plus other financing uses) were \$27,648,950. The Career Center did not modify appropriations during fiscal year 2014. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$26,167,425, which was \$1,481,525 less than the original and final budget appropriations.

Capital Assets

At the end of fiscal 2014, the Career Center had \$83,131,931 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 2014 balances compared to 2013:

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

	Governmental Activities	
	2014	2013
Land	\$ 7,150,778	\$ 7,150,778
Construction in progress	-	29,445
Land improvements	1,627,199	1,801,831
Building and building improvements	71,429,279	72,947,134
Furniture and equipment	2,621,121	2,710,371
Vehicles	303,554	370,889
Total	\$ 83,131,931	\$ 85,010,448

The overall decrease in capital assets of \$1,878,517 occurred as a result of the 2014 depreciation expense of \$2,754,410, transfer of completed construction in progress of \$29,445 to building and building improvements, and disposals (net of accumulated depreciation) of \$34,383 being greater than additions of \$939,721.

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, 2014
UNAUDITED

Debt Administration

At June 30, 2014 and June 30, 2013, the Career Center had the following debt obligations outstanding:

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Certificates of participation	\$ 43,015,758	\$ 45,335,631
Capital lease obligation	169,957	215,650
Total	\$ 43,185,715	\$ 45,551,281

At June 30, 2014 the District's overall legal debt margin was \$487,973,500 with an unvoted debt margin of \$5,421,928.

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

Current Related Financial Activities

The funding formula for career technical education will be the same for fiscal year 2015 as it was for fiscal year 2014. The legislated per pupil amount is moving from \$5,745 to \$5,800 for all districts including career technical districts. As of this date, enrollment for the 2014-15 school year is not yet compiled therefore accurate state funding numbers are not available (although we do not expect enrollment to change significantly). One area that is new for fiscal year 2015 is the annualized enrollment count where all districts will be funded based on student attendance days for the entire school year. In the past, enrollment was based on the count which was done the first full week in October of each year.

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 43551-3841.

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 18,105,939
Receivables:	
Property taxes	15,596,348
Payment in lieu of taxes	377,703
Accounts	1,631
Intergovernmental	56,574
Accrued interest	23,936
Prepayments	77,433
Inventory held for resale	5,415
Materials and supplies inventory	2,900
Capital assets:	
Nondepreciable capital assets	7,150,778
Depreciable capital assets, net	75,981,153
Capital assets, net	83,131,931
Total assets	117,379,810
Deferred outflows of resources:	
Unamortized deferred charges on certificates of participation refunding	4,536,938
Total assets and deferred outflows of resources .	121,916,748
Liabilities:	
Accounts payable	290,647
Accrued wages and benefits payable	2,316,451
Matured compensated absences payable	154,561
Intergovernmental payable	441,828
Accrued interest payable	231,416
Long-term liabilities:	
Due within one year	2,514,905
Due in more than one year	43,369,667
Total liabilities	49,319,475
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	13,093,459
Payment in lieu of taxes levied for the next fiscal year	377,703
Total deferred inflows of resources	13,471,162
Total liabilities and deferred inflows of resources .	62,790,637
Net position:	
Net investment in capital assets	44,520,385
Restricted for:	
Capital projects	6,984,926
Adult education	153,259
Unrestricted	7,467,541
Total net position	\$ 59,126,111

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Special	\$ 903,371		\$ 1,156,842	\$ 253,471
Vocational	16,941,419	\$ 496,584	3,683,443	(12,761,392)
Adult/continuing	803,179	194,294	572,277	(36,608)
Other	720,767		887,084	166,317
Support services:				
Pupil	2,914,486	21,972	254,535	(2,637,979)
Instructional staff	2,475,209		207,330	(2,267,879)
Board of education	94,329			(94,329)
Administration	1,259,026	117,653	97,686	(1,043,687)
Fiscal	663,986			(663,986)
Operations and maintenance	2,963,533			(2,963,533)
Central	348,834			(348,834)
Other non-instructional services	197,284	212,581	12,500	27,797
Food service operations	811,828	328,114	332,409	(151,305)
Extracurricular activities	395,846			(395,846)
Interest and fiscal charges	2,020,536			(2,020,536)
Total governmental activities	\$ 33,513,633	\$ 1,371,198	\$ 7,204,106	(24,938,329)
		General revenues:		
		Property taxes levied for:		
		General purposes		10,535,591
		Capital outlay		4,682,231
		Payments in lieu of taxes		239,120
		Grants and entitlements not restricted to specific programs		10,564,149
		Investment earnings		135,625
		Increase in fair value of investments		528,374
		Miscellaneous		24,084
		Total general revenues		26,709,174
		Change in net position		1,770,845
		Net position at beginning of year		57,355,266
		Net position at end of year		\$ 59,126,111

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 11,286,039	\$ 6,480,200	\$ 339,700	\$ 18,105,939
Receivables:				
Property taxes	11,000,209	4,596,139		15,596,348
Payment in lieu of taxes	377,703			377,703
Accounts			1,631	1,631
Intergovernmental			56,574	56,574
Accrued interest	23,936			23,936
Interfund loans	66,766			66,766
Prepayments	77,433			77,433
Inventory held for resale			5,415	5,415
Materials and supplies inventory.			2,900	2,900
Total assets	<u>\$ 22,832,086</u>	<u>\$ 11,076,339</u>	<u>\$ 406,220</u>	<u>\$ 34,314,645</u>
Liabilities:				
Accounts payable	\$ 264,259	\$ 20,978	\$ 5,410	\$ 290,647
Accrued wages and benefits payable	2,242,882		73,569	2,316,451
Matured compensated absences payable.	129,350		25,211	154,561
Intergovernmental payable	407,962		33,866	441,828
Interfund loans payable			66,766	66,766
Total liabilities	<u>3,044,453</u>	<u>20,978</u>	<u>204,822</u>	<u>3,270,253</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	9,254,440	3,839,019		13,093,459
Delinquent property tax revenue not available	249,763	106,883		356,646
Payment in lieu of taxes levied for the next fiscal year	377,703			377,703
Intergovernmental revenue not available			56,574	56,574
Accrued interest not available	12,702			12,702
Total deferred inflows of resources	<u>9,894,608</u>	<u>3,945,902</u>	<u>56,574</u>	<u>13,897,084</u>
Total liabilities and deferred inflows of resources	<u>12,939,061</u>	<u>3,966,880</u>	<u>261,396</u>	<u>17,167,337</u>
Fund balances:				
Nonspendable:				
Inventory			8,315	8,315
Prepays	77,433			77,433
Restricted:				
Capital improvements		7,109,459		7,109,459
Adult education			191,968	191,968
Committed:				
Education foundation	3,844,502			3,844,502
Assigned:				
Student instruction	81,025			81,025
Student and staff support	165,571			165,571
Extracurricular activities	10,191			10,191
Subsequent year appropriations	1,226,070			1,226,070
Other purposes	167,531			167,531
Unassigned (Deficit)	4,320,702		(55,459)	4,265,243
Total fund balances	<u>9,893,025</u>	<u>7,109,459</u>	<u>144,824</u>	<u>17,147,308</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 22,832,086</u>	<u>\$ 11,076,339</u>	<u>\$ 406,220</u>	<u>\$ 34,314,645</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$ 17,147,308
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		83,131,931
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 356,646	
Accrued interest receivable	12,702	
Intergovernmental receivable	56,574	
Total	425,922	425,922
Unamortized premiums on certificates of participation are not recognized in the funds.		(3,435,758)
Unamortized deferred outflows from refunding of certificates of participation are not recognized the funds.		4,536,938
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(231,416)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(2,698,857)	
Certificates of participation	(39,580,000)	
Capital lease obligation	(169,957)	
Total	(42,448,814)	(42,448,814)
Net position of governmental activities		\$ 59,126,111

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, 2014

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 10,627,515	\$ 4,715,221		\$ 15,342,736
Payment in lieu of taxes	239,120			239,120
Tuition	458,888		\$ 310,076	768,964
Charges for services			328,114	328,114
Contract services	233,956			233,956
Earnings on investments	114,183	20,686		134,869
Increase in fair value of investments	528,374			528,374
Extracurricular	16,321			16,321
Classroom materials and fees			23,843	23,843
Contributions and donations	12,500			12,500
Other local revenues	24,084		3,817	27,901
Intergovernmental - state	15,277,009	817,774	493,098	16,587,881
Intergovernmental - federal			1,173,481	1,173,481
Total revenues	<u>27,531,950</u>	<u>5,553,681</u>	<u>2,332,429</u>	<u>35,418,060</u>
Expenditures:				
Current:				
Instruction:				
Special	800,219			800,219
Vocational	15,258,731		82,679	15,341,410
Adult/continuing			784,350	784,350
Other	614,791		118,434	733,225
Support services:				
Pupil	2,391,732		280,951	2,672,683
Instructional staff	2,177,998	6,023	219,119	2,403,140
Board of education	81,090			81,090
Administration	999,564		211,151	1,210,715
Fiscal	577,933	72,766		650,699
Operations and maintenance	2,386,142	158,605		2,544,747
Central	347,980			347,980
Operation of non-instructional services:				
Other non-instructional services	197,284			197,284
Food service operations			705,498	705,498
Extracurricular activities	395,846			395,846
Facilities acquisition and construction		556,259		556,259
Capital outlay	7,836			7,836
Debt service:				
Principal retirement	51,526	2,070,000	2,003	2,123,529
Interest and fiscal charges	8,630	1,939,138	338	1,948,106
Total expenditures	<u>26,297,302</u>	<u>4,802,791</u>	<u>2,404,523</u>	<u>33,504,616</u>
Excess of revenues over (under) expenditures	<u>1,234,648</u>	<u>750,890</u>	<u>(72,094)</u>	<u>1,913,444</u>
Other financing sources:				
Capital lease transaction	<u>7,836</u>			<u>7,836</u>
Net change in fund balances	1,242,484	750,890	(72,094)	1,921,280
Fund balances at beginning of year	8,650,541	6,358,569	216,918	15,226,028
Fund balances at end of year	<u>\$ 9,893,025</u>	<u>\$ 7,109,459</u>	<u>\$ 144,824</u>	<u>\$ 17,147,308</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, 2014

Net change in fund balances - total governmental funds		\$ 1,921,280
<i>Amounts reported for governmental activities in the statement of activities are different because: 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.		
Capital asset additions	\$ 910,276	
Current year depreciation	(2,754,410)	
Total		(1,844,134)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(34,383)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(124,914)	
Earnings on investments	756	
Intergovernmental	(9,424)	
Total		(133,582)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Certificates of participation	2,070,000	
Capital leases	53,529	
Total		2,123,529
Capital leases transactions are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(7,836)
Premiums on certificates of participation are amortized over the life of the issuance on the statement of net position.		
		249,873
Deferred outflows from refunding of certificates of participation are amortized over the life of the issuance and are not recognized the funds.		
		(329,959)
In the statement of activities, interest is accrued on outstanding certificates of participation, whereas in governmental funds, an interest expenditure is reported when due.		
		7,656
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(181,599)
Change in net position of governmental activities		\$ 1,770,845

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 45,439	\$ 32,856
Liabilities:		
Accounts payable	3,050	
Due to students		\$ 32,856
Net position:		
Held in trust for scholarships	42,389	
Total Liabilities and Net Position	\$ 45,439	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Gifts and contributions	<u>\$ 23,965</u>
Deductions:	
Scholarships awarded	<u>7,900</u>
Change in net position	16,065
Net position at beginning of year	<u>26,324</u>
Net position at end of year	<u><u>\$ 42,389</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 following counties: Fulton, Ottawa, and Lucas; and two representatives from 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 64 classified employees, 175 certified teaching personnel and 17 administrative employees who provide services to 1,873 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'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. 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

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

that exclusion by the primary government would render the primary government's 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).

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 2014, the Career Center paid \$55,933 to NWOCA for various services. Financial information can be obtained from the Northern Buckeye Education Council, 209 Nolan Parkway, 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, 209 Nolan Parkway, Archbold, Ohio 43502.

Ohio Schools' Council

The Ohio Schools' Council (Council) is a consortium of 196 school districts, educational service centers, joint vocational districts, and Developmental Disabilities boards. The Council 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 nine 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 2014, the Career Center participated in the Power 4 Schools program. Financial information can be obtained by contacting William Zelei, Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard Suite 377, Independence, Ohio, 44131.

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 individual representatives from various Plan members. The Hylant Administrative Services is the Plan's administrator and is responsible for processing claims, sales, and customer service. Financial information can be obtained from Hylant Administrative Services, LLC, 811 Madison Avenue, P.O. Box 2083, Toledo, Ohio 43603-2083.

Workers' Compensation Group Rating Plan

The Career Center participates in a group rating plan through the Ohio Schools Council, 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.

Wood County Schools Benefit Plan Association

The Wood County Schools Benefit Plan Association (Association) is a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, the Career Center, and an educational service center. The Association 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 Association.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Association is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information may be obtained from Huntington Bank, 236 South Main Street, Findlay, Ohio 45840.

B. Basis of Presentation

The Career Center's basic financial statements consist of government-wide financial statements, including a statement of net position 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, 2014

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

Government-Wide Financial Statements - The statement of net position 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 position 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 and deferred inflows of resources 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

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 position and changes in net position. 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Career Center are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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/deferred outflows of resources and current liabilities/deferred inflows of resources 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

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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 the 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.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the Center that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that time. A deferred outflow of resources is a consumption of net position by the Center that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense/expenditure) until that time.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

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. Although the legal level of control was established at the fund level of expenditures, the Career Center has elected to present the general fund's budgetary statement comparison at the fund and function level of expenditures.

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

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Center records. Interest in the pool is presented as “equity in pooled cash and cash equivalents”.

During fiscal year 2014, the Career Center’s investments included nonnegotiable certificates of deposit, 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 net asset value per share, which is the price the investment could be sold for on June 30, 2014.

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 2014 was \$114,183, which includes \$32,657 assigned from other Career Center funds.

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, 2014, 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 expensed/expensed when used. Inventory consists of administrative supplies and donated food and purchased food.

J. Unamortized Premium/Deferred Charges and Issue Costs

On government-wide financial statements, premiums on issuance of certificates of participation are amortized over the term of the issue using the straight-line method. Premiums are presented as an addition to the face amount of the certificates of participation.

On government-wide financial statements, for an advance refunding resulting in the defeasance of certificates, the difference between the reacquisition price and the net carrying

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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 a deferred outflow.

On the governmental fund financial statements, issuance costs, premiums, and deferred charges from refunding are recognized in the current period. The reconciliation between the face value of the certificates of participation and the amount reported on the statement of net position is presented in Note 11.

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, 2014.

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 position, 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 and construction in progress 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 loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net position.

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

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. Certificates of participation and capital leases are recognized as liabilities on the fund financial statements when due.

P. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

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

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the Career Center has implemented GASB Statement No. 70, *"Accounting and Financial Reporting for Nonexchange Financial Guarantees"*.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Career Center.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 7,668
ABLE	12,526
Vocational education enhancements	26,950

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

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.

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 or Ohio local governments;

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

At fiscal year end, the Career Center had \$1,174 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, 2014, the carrying amount of all Career Center deposits was \$14,331,974. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$795,740 of the Career Center's bank balance of \$14,350,995 was exposed to custodial risk as discussed below, while \$13,555,255 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

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2014, 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>
STAR Ohio	\$ 6,583	\$ 6,583
U.S. Government money market	39,795	39,795
Mutual funds	<u>3,804,708</u>	<u>3,804,708</u>
 Total	 <u>\$ 3,851,086</u>	 <u>\$ 3,851,086</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 requires 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.

Credit Risk: 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 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 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, 2014:

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Fair value</u>	<u>% to total</u>
STAR Ohio	\$ 6,583	0.17
U.S. Government money market	39,795	1.03
Mutual funds	<u>3,804,708</u>	<u>98.80</u>
Total	<u>\$ 3,851,086</u>	<u>100.00</u>

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

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 position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 14,331,974
Investments	3,851,086
Cash on hand	<u>1,174</u>
Total	<u>\$ 18,184,234</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 18,105,939
Private-purpose trust funds	45,439
Agency funds	<u>32,856</u>
Total	<u>\$ 18,184,234</u>

NOTE 5 - INTERFUND TRANSACTIONS

At June 30, 2014, the general fund had a short-term interfund receivable, in the amount of \$66,766, 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.

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 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

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 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$1,496,006 in the general fund and \$650,237 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$1,492,227 in the general fund and \$611,645 in the permanent improvement 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, 2014 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 deferred inflows.

On the full 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 reported as a deferred inflow.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 5,142,419,500	95.71	\$ 5,170,173,385	95.36
Public utility personal	<u>230,290,280</u>	<u>4.29</u>	<u>251,754,390</u>	<u>4.64</u>
Total	<u>\$ 5,372,709,780</u>	<u>100.00</u>	<u>\$ 5,421,927,775</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 3.20		\$ 3.20	

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 \$239,120 in payments in lieu of taxes as a result of these agreements during fiscal year 2014 and a receivable of \$377,703 has been reported on the statement of net position.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2014 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.

A summary of the principal items of intergovernmental receivable follows:

Governmental activities:	<u>Amount</u>
Other nonmajor governmental funds:	
Vocational education enhancements	\$ 28,428
Adult basic education	<u>28,146</u>
Total intergovernmental receivables	<u>\$ 56,574</u>

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/14</u>
Governmental activities:				
<i>Nondepreciable capital assets:</i>				
Land	\$ 7,150,778	\$ -	\$ -	\$ 7,150,778
Construction in progress	29,445	-	(29,445)	-
Total nondepreciable capital assets	<u>7,180,223</u>	<u>-</u>	<u>(29,445)</u>	<u>7,150,778</u>
<i>Depreciable capital assets:</i>				
Land improvements	2,688,547	-	-	2,688,547
Buildings and building improvements	83,157,166	589,123	-	83,746,289
Furniture, fixtures and equipment	5,761,897	350,598	(69,560)	6,042,935
Vehicles	1,120,502	-	-	1,120,502
Total depreciable capital assets	<u>92,728,112</u>	<u>939,721</u>	<u>(69,560)</u>	<u>93,598,273</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(886,716)	(174,632)	-	(1,061,348)
Buildings and building improvements	(10,210,032)	(2,106,978)	-	(12,317,010)
Furniture, fixtures and equipment	(3,051,526)	(405,465)	35,177	(3,421,814)
Vehicles	(749,613)	(67,335)	-	(816,948)
Total accumulated depreciation	<u>(14,897,887)</u>	<u>(2,754,410)</u>	<u>35,177</u>	<u>(17,617,120)</u>
Depreciable capital assets, net	<u>77,830,225</u>	<u>(1,814,689)</u>	<u>(34,383)</u>	<u>75,981,153</u>
Governmental activities capital assets,	<u>\$ 85,010,448</u>	<u>\$ (1,814,689)</u>	<u>\$ (63,828)</u>	<u>\$ 83,131,931</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Special	\$ 99,191
Vocational	1,730,935
Adult/continuing	19,681

Support services:

Pupil	163,192
Instructional staff	40,292
Board of education	13,239
Administration	50,231
Fiscal	7,997
Operations and maintenance	505,121
Food service operations	124,531

Total depreciation expense \$2,754,410

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal years 2010, 2013 and 2014, 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	\$ 226,979
Less: accumulated depreciation	
Furniture, fixtures and equipment	<u>(94,253)</u>
<i>Total capital assets, being depreciated, net</i>	<u>\$ 132,726</u>

Leased equipment with a net book value amounting to \$37,231 has not been capitalized by the Career Center.

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, 2014.

<u>Fiscal Year Ending June 30.</u>	<u>Governmental Activities</u>
2015	\$ 62,003
2016	59,958
2017	<u>59,771</u>
	181,732
Less: amount representing interest	<u>(11,775)</u>
Present value of minimum lease payments	<u>\$ 169,957</u>

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS

The Career Center's long-term obligations during the year 2014 were as follows:

	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/14</u>	<u>Amounts</u> <u>due in</u> <u>one year</u>
Governmental activities:					
2012 Refunding Certificates of participation, 2.0-5.25%	\$41,650,000	\$ -	\$ (2,070,000)	\$ 39,580,000	\$ 2,135,000
Premium on certificates of participation	3,685,631	-	(249,873)	3,435,758	-
Capital lease obligation	215,650	7,836	(53,529)	169,957	55,565
Compensated absences payable	<u>2,517,258</u>	<u>700,400</u>	<u>(518,801)</u>	<u>2,698,857</u>	<u>324,340</u>
Total governmental activities long-term obligations	<u>\$48,068,539</u>	<u>\$ 708,236</u>	<u>\$ (2,892,203)</u>	<u>\$ 45,884,572</u>	<u>\$ 2,514,905</u>

Compensated Absences - Compensated absences will be paid from the General Fund and the Food Service and Adult Education Special Revenue funds.

Legal Debt Margin - The Career Center's overall debt margin was \$487,973,500 with an unvoted debt margin of \$5,421,928 at June 30, 2014.

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 was 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 position. The balance of the refunded 2004 Certificates of Participation at June 30, 2014, is \$51,660,000.

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 began April 1, 2013, and the final payment is April 1, 2028.

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 amended and restated 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 consists 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

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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, 2014, were as follows:

Fiscal Year Ending	Certificates of Participation		
	Principal	Interest	Total
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	2,375,000	1,633,588	4,008,588
2019	2,470,000	1,538,587	4,008,587
2020 - 2024	14,350,000	5,703,925	20,053,925
2025 - 2028	<u>13,765,000</u>	<u>1,642,426</u>	<u>15,407,426</u>
Total	<u>\$ 39,580,000</u>	<u>\$15,933,738</u>	<u>\$ 55,513,738</u>

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 28 percent of accrued but unused sick leave credit to a maximum of 79.8 days.

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - OTHER EMPLOYEE BENEFITS – (Continued)

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 American United Life. 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 \$2,000 if notification of pending retirement is submitted in writing to the Superintendent no later than January 1 for retirement effective at the end of the current school year or prior to the following school year. At June 30, 2014, separation benefits payable totaled \$10,000, which is reported in matured compensated absences payable.

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 2014, the Career Center contracted for the following insurance coverage.

Coverage provided by the Netherlands Insurance Company is as follows:

Building	\$116,856,564
Equipment breakdown	25,000
Computer equipment	2,545,653
Computer software	100,000
Rented equipment & tools	75,000
Automobile liability	1,000,000

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

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - RISK MANAGEMENT - (Continued)

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 2014, 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 Schools Council 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 School Benefit Plan Association (Association) 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 Association for employee medical and dental benefits. Upon withdrawal from the Association, a participant is responsible for the payment of all liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

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 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. 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

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - PENSION PLANS - (Continued)

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, 2014, 2013 and 2012 were \$478,323, \$501,776 and \$330,772, respectively; 90.95 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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 East Broad Street, Columbus, Ohio 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.

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 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$1,896,062, \$1,904,506 and \$1,820,698,

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - PENSION PLANS - (Continued)

respectively; 100 has been contributed for fiscal years 2014, 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$72,128 made by the Career Center and \$56,672 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, 2014 three 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 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 SERS 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 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 - 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 2014, 0.14 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

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$45,397, \$44,456 and \$49,646, respectively; 90.95 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Career Center's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$27,750, \$28,345 and \$19,534, respectively; 90.95 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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 2014, 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, 2014, 2013 and 2012 were \$145,851, \$146,500 and \$140,054, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

NOTE 16 - CONTINGENCIES

A. Grants

The Career Center receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 16 – CONTINGENCIES – (Continued)

programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Career Center. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the financial position of the Career Center at June 30, 2014.

B. 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, 2013	\$ -
Current year set-aside requirement	332,520
Current year qualifying expenditures	(379,937)
Current year offsets	<u>(5,751,552)</u>
Total	<u>\$(5,798,969)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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:

	Year-End
<u>Fund</u>	<u>Encumbrances</u>
General fund	\$ 264,051
Permanent improvement	87,415
Other governmental	<u>111,704</u>
Total	<u>\$ 463,170</u>

REQUIRED SUPPLEMENTARY 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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 10,613,393	\$ 10,341,895	\$ 10,623,736	\$ 281,841
Tuition	448,091	456,401	458,888	2,487
Contract services		38,000	34,996	(3,004)
Earnings on investments	20,000	32,000	30,696	(1,304)
Other local revenues	20,000	30,000	27,522	(2,478)
Intergovernmental - state	14,980,191	15,280,657	15,277,009	(3,648)
Total revenues	<u>26,081,675</u>	<u>26,178,953</u>	<u>26,452,847</u>	<u>273,894</u>
Expenditures:				
Current:				
Instruction:				
Special	842,691	842,691	828,874	13,817
Vocational	15,555,377	15,555,377	15,159,383	395,994
Other	588,843	588,843	572,295	16,548
Support services:				
Pupil	2,459,146	2,459,146	2,351,907	107,239
Instructional staff	2,327,560	2,327,560	2,221,454	106,106
Board of education	91,767	91,767	83,781	7,986
Administration	1,047,761	1,047,761	990,893	56,868
Fiscal	619,236	619,236	587,470	31,766
Operations and maintenance	2,887,363	2,887,363	2,536,620	350,743
Central	349,266	349,266	345,214	4,052
Other operation of non-instructional services	20,000	20,000	15,182	4,818
Extracurricular activities	409,940	409,940	407,586	2,354
Total expenditures	<u>27,198,950</u>	<u>27,198,950</u>	<u>26,100,659</u>	<u>1,098,291</u>
Excess of revenues over (under) expenditures	<u>(1,117,275)</u>	<u>(1,019,997)</u>	<u>352,188</u>	<u>1,372,185</u>
Other financing sources (uses):				
Refund of prior year expenditures		60,740	60,740	
Transfers (out)	(100,000)	(100,000)		100,000
Advances in	48,943	48,943	48,943	
Advances (out)	(150,000)	(150,000)	(66,766)	83,234
Other uses	(200,000)	(200,000)		200,000
Total other financing sources (uses)	<u>(401,057)</u>	<u>(340,317)</u>	<u>42,917</u>	<u>383,234</u>
Net change in fund balance	(1,518,332)	(1,360,314)	395,105	1,755,419
Fund balance at beginning of year	5,838,241	5,838,241	5,838,241	
Prior year encumbrances appropriated	509,972	509,972	509,972	
Fund balance at end of year	<u>\$ 4,829,881</u>	<u>\$ 4,987,899</u>	<u>\$ 6,743,318</u>	<u>\$ 1,755,419</u>

SEE ACCOMPANYING NOTES TO THIS SCHEDULE

**PENTA CAREER CENTER
WOOD COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The 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.

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. While not legally required, the Career Center budgets advances-in and advances-out as 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	\$ 395,105
Net adjustment for revenue accruals	(3,661)
Net adjustment for expenditure accruals	(441,595)
Net adjustment for other sources/(uses)	(35,081)
Fund budgeted elsewhere*	869,479
Adjustment for encumbrances	458,237
 GAAP basis	 <u>\$ 1,242,484</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.

**PENTA CAREER CENTER
WOOD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Federal Receipts	Federal Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	\$41,107	\$41,107
National School Lunch Program:			
Cash Assistance	10.555	228,416	228,416
Non-cash Assistance (Commodities)	10.555	38,403	39,567
Total National School Lunch Program		<u>266,819</u>	<u>267,983</u>
Total U.S. Department of Agriculture		<u>307,926</u>	<u>309,090</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Program</i>			
Federal Pell Grant Program	84.063	144,478	144,478
<i>Passed Through Four County Career Center</i>			
Career and Technical Education - Basic Grant to States	84.048	18,198	18,198
<i>Passed Through Ohio Department of Education</i>			
Career and Technical Education - Basic Grant to States	84.048	393,852	412,934
Total CFDA # 84.048		<u>412,050</u>	<u>431,132</u>
Adult Education - Basic Grants to States	84.002	331,247	349,840
ARRA - Race to The Top	84.395	2,100	2,100
Improving Teacher Quality State Grants	84.367	<u>20,046</u>	<u>7,140</u>
Total U.S. Department of Education		<u>909,921</u>	<u>934,690</u>
Total Federal Awards Receipts and Expenditures		<u>\$1,217,847</u>	<u>\$1,243,780</u>

**PENTA CAREER CENTER
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

The Center reports commodities consumed on the Schedule at the entitlement value determined by the Federal Agency distributing the food. The Center allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

NOTE D – SUBRECIPIENTS

The Center passes certain federal awards received from the Ohio Department of Education to other governments (subrecipients). As Note D describes, the Center reports expenditures of Federal awards to subrecipients when paid in cash.

Program Title	Number	Subrecipients
Adult Education - Basic Grants to State	84.002	\$ 38,543

As a subrecipient, the Center has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.



Dave Yost • Auditor of State

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

Penta Career Center
Wood County
9301 Buck Road
Perrysburg, Ohio 43551-3841

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Penta Career Center, Wood County, Ohio (the Center) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 17, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Center's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the 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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

December 17, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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
Wood County
9301 Buck Road
Perrysburg, Ohio 43551-3841

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Penta Career Center, Wood County, Ohio's (the Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Center's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Center's major federal program.

Management's Responsibility

The Center's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Center's compliance for the Center's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Center's major program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on the Major Federal Program

In our opinion, Penta Career Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

December 17, 2014

**PENTA CAREER CENTER
WOOD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Career and Technical Education – Basic Grants to States (Perkins IV) CFDA# 84.048
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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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
DECEMBER 30, 2014**