



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

February 8, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Dave Yost".

DAVE YOST
Auditor of State

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**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Portage Lakes Career Center
Summit County
4401 Shriver Road
P.O. Box 248
Green, Ohio 44232

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Portage Lakes Career Center, Summit County, Ohio (the Center), as of and for the year ended June 30, 2010, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Portage Lakes Career Center, Summit County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Adult Education Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17, the Center restated the fund balance of the General Fund to properly report activity formerly reported in the Replacement Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Mary Taylor, CPA
Auditor of State

December 10, 2010

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

The discussion and analysis of the Portage Lakes Career Center's (the Career Center's) financial performance provides an overall review of the Career Center's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Career Center's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Career Center's financial performance.

Financial Highlights

Key Financial Highlights for 2010 are as follows:

- In total, net assets of Governmental Activities increased approximately \$.4 million, which represents a 3% increase from 2009.
- General Revenues accounted for more than \$6 million in revenue or 74% of all revenues. Program specific revenues in the form of charges for services and sales and grants, interest and contributions accounted for over \$2 million or 26% of total revenues of \$8.3 million.
- Total program expenses were \$7.9 million in Governmental Activities.
- Capital assets increased \$1.7 million over fiscal year 2009. The Career Center continued construction on the \$1.9 million health technologies addition which opened in August 2010.

Using this Annual Report

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole Career Center, presenting both an aggregate view of the Career Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. Also, the fund financial statements highlight the Career Center's most significant funds with all other nonmajor funds presented in total in one column. The Career Center has two major funds. They are the general fund and the adult education programs funds.

Reporting the Career Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Career Center to provide programs and activities, the view of the Career Center as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities, excluding fiduciary funds using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

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

In the Statement of Net Assets and the Statement of Activities, the Career Center activities are listed as Governmental:

- Governmental Activities – All of the Career Center's programs and services are reported here, including instruction, support services, operation and maintenance of plant, adult education, and extracurricular activities.

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 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 adult education programs.

Governmental Funds - All 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 statements provide a detailed short-term view of the Career Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

The Career Center as a Whole

Recall that the Statement of Net Assets provides the perspective of the Career Center as a whole.

Table 1 provides a summary of the Career Center's net assets for 2010 compared to 2009:

Table 1
Net Assets

	Governmental Activities	
	2010	2009
Assets		
Current and Other Assets	\$16,328,588	\$17,326,364
Capital Assets, Net	3,413,715	1,733,839
<i>Total Assets</i>	19,742,303	19,060,203
Liabilities		
Long-Term Liabilities	763,562	767,185
Other Liabilities	3,849,417	3,549,454
<i>Total Liabilities</i>	4,612,979	4,316,639
Net Assets		
Invested in Capital Assets, Net of Debt	3,113,713	1,400,504
Restricted	1,585,585	1,523,157
Unrestricted	10,430,026	11,819,903
<i>Total Net Assets</i>	\$15,129,324	\$14,743,564

Total net assets increased by approximately \$.4 million. Capital assets increased \$1.7 million over fiscal year 2009 with construction in progress of \$1.8 million for the health technologies addition accounting for this increase over the prior year. The construction project also accounts for the decrease in cash of \$1.1 million. Current liabilities increased \$.3 million over fiscal year 2009 from contracts payable on the health technologies project.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

Table 2 shows the changes in net assets for fiscal year 2010 and 2009.

Table 2
Changes in Net Assets

	Governmental Activities	
	2010	2009
Revenues		
Program Revenues:		
Charges for Services	\$ 1,364,430	\$ 1,281,896
Operating Grants	758,423	632,005
General Revenues:		
Property Taxes	2,937,007	3,140,097
Grants and Entitlements	2,873,092	2,724,114
Other	326,448	243,838
<i>Total Revenues</i>	8,259,400	8,021,950
Program Expenses		
Instructional	5,740,078	5,058,434
Support Services	2,119,795	2,290,094
Extracurricular Activities	13,767	10,896
<i>Total Expenses</i>	7,873,640	7,359,424
<i>Change in Net Assets</i>	\$ 385,760	\$ 662,526

The governmental activities are supported mostly by general revenues which amounted to \$6.1 million or 74% of total revenues in fiscal year 2010. The most significant portion of the general revenues are local property taxes and grants and entitlements not restricted for specific programs. The program revenues were slightly more than \$2 million or 26% of the \$8.3 million in total revenue. Revenues increased 3% over fiscal year 2009. Expenses increased overall by 7% over fiscal year 2009 with instructional expenses increasing nearly \$.7 million through annual pay and step increases.

The Career Center has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The Career Center's revenue growth is mostly dependent upon property tax increases and new construction. Property taxes made up 36% of revenues for governmental activities for the Career Center in fiscal year 2010. Although the Career Center relies heavily upon local property taxes to support its operations, the Career Center does actively solicit and receive additional grant and entitlement funds to help offset some operating costs. In fiscal year 2010, the grants and entitlements amounted to \$2.9 million or 35% of revenues.

Instructional expenses comprise 73% of governmental program expenses. Additional supporting services, including program expenses of pupils, instructional staff and operation and maintenance of plant, encompassed an additional 27%. The remaining program expenses, which account for less than 1% are used for other obligations of the Career Center such as extracurricular activities.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

Governmental Activities

The Statement of Activities shows the cost of program services and the program revenues offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activities have total revenues of \$8.3 million and expenses of \$7.9 million in fiscal year 2010.

Table 3
Governmental Activities

	2010		2009	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 5,740,078	\$ 3,723,238	\$ 5,058,434	\$ 3,360,000
Support Services:				
Pupils	251,511	171,290	469,996	286,763
Instructional Staff	80,491	76,403	98,675	95,273
Board of Education	23,509	23,509	26,447	26,447
Administration	842,700	831,859	816,058	801,099
Fiscal	402,496	397,496	377,379	372,379
Operation and Maintenance	389,855	389,855	393,340	393,340
Pupil Transportation	42,284	42,284	42,747	42,747
Central	86,949	86,949	65,452	65,452
Extracurricular Activities	13,767	7,904	10,896	2,023
Total	<u>\$ 7,873,640</u>	<u>\$ 5,750,787</u>	<u>\$ 7,359,424</u>	<u>\$ 5,445,523</u>

The dependence upon the general revenues for governmental activities is apparent. Over 73% of expenses are not supported by program specific revenues. General revenues, primarily local property taxes and operating grants are used to provide program services. The community, as a whole, is by far the primary supporter for the Career Center's students.

The Career Center's Funds

As of the end of the current fiscal year, the Career Center's governmental funds reported combined ending fund balances of \$12.4 million, a decrease of \$1.3 million from 2009. The general fund had a decrease of \$1.3 million from 2009 which can be attributed to the Career Center's construction costs for the health technologies addition. The adult education programs fund increased slightly over \$60,000.

Since the Career Center is a joint vocational school, it would be nearly impossible to pass a new tax levy. Our Career Center is made up of 4 local school districts that would each have to pass a tax request by a majority vote for Portage Lakes Career Center to receive additional money. These 4 districts have a history of having a low passage rate for new levies. Therefore, the Career Center actively seeks ways to spend a considerable amount less than we receive in order to stay solvent in the event that the state foundation guarantee program is eliminated.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

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.

During the course of fiscal year 2010, there were minor changes to the Career Center's total general fund budget. The Career Center uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual revenue of \$6.8 million was \$.2 million under original and final budgeted revenues. There was expected to be additional tuition and investment income which was not received by year end. The final appropriations were less than \$54,000 over original appropriations and \$1.0 million over actual expenditures. Capital outlay expenditures were less than expected. The Career Center's general fund expenditures exceeded revenues by \$1.8 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010 the Career Center had \$3.4 million invested in land, construction in progress, land improvements, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2010 balances compared with 2009 net of depreciation.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2010	2009
Land	\$ 195,190	\$ 195,190
Construction in Progress	1,954,469	124,426
Land Improvements	4,451	13,917
Buildings	862,557	995,921
Furniture and Equipment	366,073	402,135
Vehicles	30,975	2,250
Totals	\$ 3,413,715	\$ 1,733,839

During fiscal year 2010, acquisitions of \$1.9 million exceeded depreciation of \$.2 million resulting in an increase in capital assets over fiscal year 2009. Along with the construction in progress for the health technologies addition, the Career Center purchased a dump truck and some equipment. See Note 6 to the basic financial statements for detail on governmental activities capital assets.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

Debt

At June 30, 2010 the Career Center had an improvement loan totaling \$333,002 with \$33,333 due within one year. Table 5 summarizes the Career Center's outstanding debt.

(Table 5)
Outstanding Debt at June 30

	<u>2010</u>	<u>2009</u>
Loans Payable:		
Vocation School Building Assistance	<u>\$ 300,002</u>	<u>\$ 333,335</u>

See Note 12 to the basic financial statements for detail on governmental activities outstanding debt.

Current Issues

Portage Lakes Career Center receives approximately 46% of its revenue from the Ohio Department of Education in the General Fund. The Career Center receives additional revenue for being on the state guarantee. In fiscal year 2010, the revenue related to the guarantee was \$921,569. The Career Center also receives a significant amount of revenue in open enrollment from the four districts served. In fiscal year 2010, the open enrollment amount totaled \$375,687. Full-time enrollment has remained steady for the past several years, while the number of total students served has increased as a result of expanded satellite programs.

The Career Center, in turn, relies on its local property taxpayers for the four districts served. The only operating levy was passed in 1983, for 4.35 mills, on a continuing basis. The effective rate of that levy, relative to Class #1 and Class #2 real estate, is 2 mills. There are no new proposed levies for the forecast period.

The five-year forecast projects approximately an \$11 million carryover in the general fund for the next five years. This is contingent on the state guarantee remaining in place.

The Career Center's systems of budgeting and internal controls are well regarded. All of the Career Center's financial abilities will be needed to meet the challenges of the future.

Contacting the Career Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 any questions about this report or need additional financial information, contact the Treasurer at Portage Lakes Career Center, 4401 Shriver Road, P.O. Box 248, Green, Ohio 44232-0248.

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Portage Lakes Career Center
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 13,136,415
Cash and Cash Equivalents In Segregated Accounts	25,558
Receivables:	
Taxes	3,062,851
Interest Receivable	103,764
Nondepreciable Capital Assets	2,149,659
Depreciable Capital Assets (Net)	1,264,056
 <i>Total Assets</i>	 19,742,303
Liabilities	
Accounts Payable	185,011
Contracts Payable	331,515
Accrued Wages and Benefits	552,358
Intergovernmental Payable	103,495
Vacation Benefits Payable	27,243
Deferred Revenue	2,649,795
Long Term Liabilities:	
Due Within One Year	92,122
Due In More Than One Year	671,440
 <i>Total Liabilities</i>	 4,612,979
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,113,713
Restricted for:	
Other Purposes	1,585,585
Unrestricted	10,430,026
 <i>Total Net Assets</i>	 \$ 15,129,324

See accompanying notes to the basic financial statements

Portage Lakes Career Center
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 340,809	\$ 0	\$ 0	\$ (340,809)
Special	241,904	0	0	(241,904)
Vocational	3,963,018	377,465	485,353	(3,100,200)
Adult continuing	1,190,879	981,102	172,920	(36,857)
Other	3,468	0	0	(3,468)
Support services:				
Pupils	251,511	0	80,221	(171,290)
Instructional staff	80,491	0	4,088	(76,403)
Board of education	23,509	0	0	(23,509)
Administration	842,700	0	10,841	(831,859)
Fiscal	402,496	0	5,000	(397,496)
Operation and maintenance of plant	389,855	0	0	(389,855)
Pupil transportation	42,284	0	0	(42,284)
Central	86,949	0	0	(86,949)
Extracurricular activities	13,767	5,863	0	(7,904)
<i>Total Governmental Activities</i>	<u>\$ 7,873,640</u>	<u>\$ 1,364,430</u>	<u>\$ 758,423</u>	<u>(5,750,787)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	2,937,007
Grants and Entitlements not Restricted to Specific Programs	2,873,092
Investment Earnings	248,216
Miscellaneous	78,232
	<hr/>
Total General Revenues	6,136,547
Change in Net Assets	385,760
Net Assets Beginning of Year	<hr/> 14,743,564
Net Assets End of Year	<u>\$ 15,129,324</u>

See accompanying notes to the basic financial statements

Portage Lakes Career Center*Balance Sheet**Governmental Funds**June 30, 2010*

	<u>General</u>	<u>Adult Education Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Investments	\$ 11,408,461	\$ 1,671,941	\$ 17,306	\$ 13,097,708
Cash and Cash Equivalents In Segregated Accounts	0	0	25,558	25,558
Restricted Cash	38,707	0	0	38,707
Receivables:				
Taxes	3,062,851	0	0	3,062,851
Interest	103,764	0	0	103,764
<i>Total Assets</i>	<u>\$ 14,613,783</u>	<u>\$ 1,671,941</u>	<u>\$ 42,864</u>	<u>\$ 16,328,588</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 132,071	\$ 52,940	\$ 0	\$ 185,011
Accrued Wages and Benefits	533,176	19,182	0	552,358
Contracts Payable	331,515	0	0	331,515
Intergovernmental Payable	96,342	7,153	0	103,495
Deferred Revenue	2,755,875	0	0	2,755,875
<i>Total Liabilities</i>	3,848,979	79,275	0	3,928,254
Fund Balances				
Reserved for Encumbrances	135,497	5,935	10,842	152,274
Reserved for Property Taxes	306,976	0	0	306,976
Reserved for Budget Stabilization	38,707	0	0	38,707
Unreserved:				
Designated for Budget Stabilization	146,413	0	0	146,413
Undesignated, Reported in:				
General Fund	10,137,211	0	0	10,137,211
Special Revenue Funds	0	1,586,731	32,022	1,618,753
<i>Total Fund Balances</i>	<u>10,764,804</u>	<u>1,592,666</u>	<u>42,864</u>	<u>12,400,334</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 14,613,783</u>	<u>\$ 1,671,941</u>	<u>\$ 42,864</u>	<u>\$ 16,328,588</u>

See accompanying notes to the basic financial statements

Portage Lakes Career Center
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

Total Governmental Fund Balances	\$	12,400,334
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		3,413,715
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds. Delinquent Property Taxes		106,080
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore, are not reported in the funds. Loans Payable		(300,002)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds. Vacation Benefits Payable	\$ (27,243)	
Compensated Absences	(463,560)	(490,803)
	\$	15,129,324
<i>Net Assets of Governmental Activities</i>		\$ 15,129,324

See accompanying notes to the basic financial statement.

Portage Lakes Career Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Adult Education Programs	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,954,776	\$ 0	\$ 0	\$ 2,954,776
Intergovernmental	3,115,484	198,408	238,698	3,552,590
Investment income	248,216	0	2,699	250,915
Tuition and fees	431,447	940,496	0	1,371,943
Extracurricular activities	0	0	5,863	5,863
Charges for services	48,027	0	0	48,027
Gifts and donations	0	0	11,997	11,997
Miscellaneous	65,420	14,640	997	81,057
<i>Total Revenues</i>	<u>6,863,370</u>	<u>1,153,544</u>	<u>260,254</u>	<u>8,277,168</u>
Expenditures:				
Current:				
Instruction:				
Regular	334,374	0	0	334,374
Special	240,238	0	0	240,238
Vocational	3,088,932	0	66,260	3,155,192
Adult continuing	14,616	1,093,461	90,664	1,198,741
Other	3,468	0	0	3,468
Support services:				
Pupils	168,491	0	80,339	248,830
Instructional staff	76,403	0	4,088	80,491
Board of education	23,509	0	0	23,509
Administration	846,186	0	10,816	857,002
Fiscal	390,016	0	7,044	397,060
Operation and maintenance of plant	385,835	0	0	385,835
Pupil transportation	42,284	0	0	42,284
Central	86,190	0	0	86,190
Operation of non-instructional services:	0			
Extracurricular activities	4,033	0	9,734	13,767
Capital outlay	2,452,335	0	0	2,452,335
Debt service:				
Principal retirement	0	0	33,333	33,333
<i>Total Expenditures</i>	<u>8,156,910</u>	<u>1,093,461</u>	<u>302,278</u>	<u>9,552,649</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,293,540)	60,083	(42,024)	(1,275,481)
Other Financing Sources (Uses):				
Transfers in	0	0	37,819	37,819
Transfers out	(37,819)	0	0	(37,819)
<i>Total Other Financing Sources and (Uses)</i>	<u>(37,819)</u>	<u>0</u>	<u>37,819</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,331,359)	60,083	(4,205)	(1,275,481)
<i>Fund balance (deficit) at beginning of year</i> <i>(Restated, See Note 17)</i>	<u>12,096,163</u>	<u>1,532,583</u>	<u>47,069</u>	<u>13,675,815</u>
<i>Fund balance (deficit) at end of year</i>	<u>\$ 10,764,804</u>	<u>\$ 1,592,666</u>	<u>\$ 42,864</u>	<u>\$ 12,400,334</u>

See accompanying notes to the basic financial statements

Portage Lakes Career Center
*Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds	\$	(1,275,481)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Current Year Depreciation	\$ (202,729)	
Capital Asset Additions	1,882,605	1,679,876
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Delinquent Property Taxes	(17,768)	(17,768)
 Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Loan Principal		33,333
 Some expenses reported in the statement of activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.		
(Increase) Decrease in Vacation Benefits Payable	(4,490)	
(Increase) Decrease in Compensated Absences	(29,710)	(34,200)
 Change in Net Assets of Governmental Activities	 \$	 <u>385,760</u>

See accompanying notes to the basic financial statements

Portage Lakes Career Center
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 2,937,520	\$ 2,937,520	\$ 2,969,644	\$ 32,124
Intergovernmental	3,153,479	3,153,479	3,115,484	(37,995)
Investment income	175,000	175,000	136,631	(38,369)
Tuition and fees	604,877	580,541	431,447	(149,094)
Charges for Services	0	0	48,027	48,027
Miscellaneous	83,875	83,875	66,182	(17,693)
<i>Total Revenues</i>	<u>6,954,751</u>	<u>6,930,415</u>	<u>6,767,415</u>	<u>(163,000)</u>
Expenditures:				
Current				
Instruction:				
Regular	752,545	752,540	332,694	419,846
Special	229,730	229,730	241,190	(11,460)
Vocational	3,020,913	3,032,714	3,145,964	(113,250)
Adult Continuing	0	0	17,997	(17,997)
Other	1,834	3,077	3,468	(391)
Support services				
Pupils	273,037	273,037	214,803	58,234
Instructional staff	109,037	109,037	110,052	(1,015)
Board of education	33,053	33,053	25,209	7,844
Administration	871,376	871,376	856,185	15,191
Fiscal	593,700	593,700	394,968	198,732
Operation and maintenance of plant	354,570	354,570	391,227	(36,657)
Pupil transportation	58,880	58,880	43,079	15,801
Central	54,339	54,339	85,815	(31,476)
Extracurricular activities	1,926	1,926	4,033	(2,107)
Capital outlay	3,131,874	3,172,335	2,667,401	504,934
<i>Total Expenditures</i>	<u>9,486,814</u>	<u>9,540,314</u>	<u>8,534,085</u>	<u>1,006,229</u>
Excess of Revenues Over (Under) Expenditures	(2,532,063)	(2,609,899)	(1,766,670)	843,229
Other Financing Sources (Uses):				
Transfers out	(86,833)	(86,833)	(37,819)	49,014
<i>Total Other Financing Sources (Uses)</i>	<u>(86,833)</u>	<u>(86,833)</u>	<u>(37,819)</u>	<u>49,014</u>
<i>Net Change in Fund Balance</i>	(2,618,896)	(2,696,732)	(1,804,489)	892,243
<i>Fund Balance (Deficit) at Beginning of Year</i> <i>(Restated, See Note 17)</i>	12,258,170	12,258,170	12,258,170	0
Prior Year Encumbrances Appropriated	397,687	397,687	397,687	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 10,036,961</u>	<u>\$ 9,959,125</u>	<u>\$ 10,851,368</u>	<u>\$ 892,243</u>

See accompanying notes to the basic financial statements

Portage Lakes Career Center
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Adult Education Programs
 For the Fiscal Year Ended June 30, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 193,566	\$ 199,022	\$ 214,608	\$ 15,586
Tuition and fees	848,280	872,194	940,496	68,302
Gifts and Donations	6,125	6,125	6,125	0
Miscellaneous	13,205	13,577	14,640	1,063
<i>Total Revenues</i>	<u>1,061,176</u>	<u>1,090,918</u>	<u>1,175,869</u>	<u>84,951</u>
Expenditures:				
Current				
Instruction:				
Adult/Continuing	1,051,598	1,170,597	1,105,377	65,220
<i>Total Expenditures</i>	<u>1,051,598</u>	<u>1,170,597</u>	<u>1,105,377</u>	<u>65,220</u>
<i>Net Change in Fund Balance</i>	9,578	(79,679)	70,492	150,171
<i>Fund Balance (Deficit) at Beginning of Year</i>	1,522,202	1,522,202	1,522,202	0
Prior Year Encumbrances Appropriated	20,380	20,380	20,380	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 1,552,160</u>	<u>\$ 1,462,903</u>	<u>\$ 1,613,074</u>	<u>\$ 150,171</u>

See accompanying notes to the basic financial statements

Portage Lakes Career Center
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	\$ <u>88,254</u>
Liabilities	
Undistributed Monies	\$ 70,552
Due to Students	<u>17,702</u>
<i>Total Liabilities</i>	<u>\$ 88,254</u>

See accompanying notes to the basic financial statements

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Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 1 - Description of the Career Center and Reporting Entity

The Portage Lakes Joint Vocational School also known as the Portage Lakes Career Center (the “Career Center”) is a vocational high school.

Joint Vocational Career Centers were created by the legislature as one means by which a Career Center can meet its obligation under law to make a vocational education program available to all of its students. The Career Center has four member districts. They are: Green Local, Manchester Local, Springfield Local, and Coventry Local Schools.

The Portage Lakes Career Center’s Board of Education consists of nine board members. Each local School District is represented by two board members elected from the membership of their local board. Green Local Schools are represented by three board members. Each year the member districts elect or assign board members to represent their board on the Career Center’s Board of Education.

Reporting Entity

The Portage Lakes Career Center is a Career Center corporation governed by an appointed Board of Education. The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the Career Center are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from 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; 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 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. Based on the foregoing criteria, the Career Center has no component units.

The Career Center participates in two jointly governed organizations and one public entity risk pool. These organizations are the Northeast Ohio Network for Educational Technology, the Interval Opportunity School, and the Stark County Schools Council of Government. These organizations are presented in Notes 8 and 13 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the Career Center have been prepared in conformity with generally accepted accounting principles (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 applies generally accepted accounting principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board (“FASB”) to its governmental funds provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The most significant of the Career Center's accounting policies are described below.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

During the 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 type.

B. 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 two categories of funds: governmental and fiduciary.

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

General Fund The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Career Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Adult Education Programs Fund This fund accounts for transactions made in connection with adult education.

The other governmental funds of the Career Center account for grants and other resources whose use is restricted to a particular purpose.

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

C. Measurement Focus

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange 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 the fiscal year-end.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

E. Cash and Investments

To improve cash management, all cash received by the Career Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Career Center records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statement. The Career Center has segregated a portion of cash balances, reported as "Cash and cash equivalents in segregated accounts" which is used for the scholarships.

During fiscal year 2010, investments were limited to repurchase agreements, certificates of deposit, STAROhio, money market, U.S. Government Agency notes and U.S. Government Agency discount notes. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Certificates of deposit and repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2010.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$248,216, which includes \$30,908 assigned from other Career Center funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the Career Center are presented on the financial statements as "equity in pooled cash and investments". Investments with an original maturity of more than three months that are not made from the pool are reported as "investments".

F. Capital Assets

All capital assets of the Career Center are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Career Center maintains a capitalization threshold of \$2,500. 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 expensed.

All reported capital assets except land and construction in process 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>Estimated Lives</u>
Land Improvements	15 - 30 Years
Buildings	30 - 60 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 - 15 Years

G. Interfund Balances

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

H. Compensated Absences

The Career Center reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account “matured compensated absences payable” in the basic financial statements within the fund the employee will be paid from.

I. 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 fiscal year.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Career Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

K. Fund Balance Reserves and Designation

The Career Center reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, property taxes and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

Designated fund balance represents planned actions for monies set-aside by the Career Center for budget stabilization.

L. Interfund Activity

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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. All transfers between governmental funds have been eliminated within the governmental activities column

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

of the statement of net assets. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Estimates

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

N. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Career Center Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2010.

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

O. Changes in Accounting Principles

For the year ended June 30, 2010, the Career Center has implemented GASB Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*," GASB Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*," and GASB Statement No. 58, "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*."

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the Career Center.

Note 3 - Budgetary Basis of Accounting

While the Career Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund and adult education programs special revenue fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund and adult education programs fund.

Net Change in Fund Balance

	General Fund	Adult Education Programs
GAAP Basis	\$ (1,331,359)	\$ 60,083
Net Adjustment for Revenue Accruals	(95,955)	22,325
Net Adjustment for Expenditure Accruals	210,825	46,959
Adjustment for Encumbrances	(588,000)	(58,875)
Budget Basis	\$ (1,804,489)	\$ 70,492

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 4 - Deposits and Investments

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

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

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

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

Protection of 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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.

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.

Custodial credit risk for deposits is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of Career Center cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Custodial credit risk for an investment 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. These securities, held by the counterparty and not in the Career Center's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Deposits At fiscal year-end, the carrying amount of the Career Center's deposits was \$6,212,809 and the bank balance was \$6,238,849. Of the bank balance:

1. \$3,617,966 of the bank balance was covered by depository insurance; and
2. \$2,620,883 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State 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.

Investments

Investments are reported at fair value. As of June 30, 2010, the Career Center had the following investments:

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

	Fair Value	Maturity			% of Investments
		0-12 Months	13-24 Months	25-36 Months	
Repurchase Agreement	\$ 820,000	\$ 820,000	\$ 0	\$ 0	11.66%
First American Government					
Money Market	5,159	5,159	0	0	0.07%
STAROhio	202,035	202,035	0	0	2.87%
Federal Farm Credit Corp	639,709	249,922	389,787	0	9.09%
Federal Home Loan Bank	3,271,016	1,450,000	1,570,000	251,016	46.48%
Federal Home Loan Discount Note	499,900	499,900	0	0	7.10%
Federal Home Loan Mtg	300,049	0	0	300,049	4.26%
Federal National Mtg Assoc	300,000	0	0	300,000	4.26%
FNMA Discount Note	999,450	999,450	0	0	14.21%
Total	<u>\$ 7,037,318</u>	<u>\$ 4,226,466</u>	<u>\$ 1,959,787</u>	<u>\$ 851,065</u>	<u>100.00%</u>

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The Career Center’s policy is to follow State statute which is to invest funds with the highest interest rate bid.

Credit Risk: The Career Center investments during June 30, 2010 included an overnight repurchase account, STAROhio, U.S. Government Agency Notes, U.S. Government Agency Discount Notes and a money market fund. Its investment in STAROhio is rated AAAM by Standard and Poor’s and the U.S. Government Agency Notes and Discount Notes are all rated AAA by Standard and Poor’s. The federal agency securities that underlie the Career Center’s repurchase agreement were rated AAA by Standard and Poor’s. No other investments are rated by Standard & Poor’s or Moody’s Investors Service.

Concentration of Credit Risk: The Career Center investment policy authorizes the Treasurer to invest a maximum of 25% of interim funds in investments allowed by State statute. At various times during the year, the Career Center’s overnight repurchase account and STAROhio account exceeded more than 5% of the Career Center’s investments as listed above.

Note 5 - 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, public utility and tangible personal property (used in business) located in the Career Center Districts. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The Summit County Fiscal Officer periodically advances to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and tangible public utility property, which are measurable as of June 30, 2010 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 revenue.

The amount available as an advance at June 30, 2010 was \$306,976 and is recognized as revenue in the general fund.

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

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections Valuation	%	2010 First Half Collections Valuation	%
Real Property				
Residential/Agricultural	\$ 1,266,657,260	79.03%	\$ 1,270,075,930	78.99%
Commerical/Industrial	304,942,280	19.03%	305,952,750	19.03%
Tangible Personal Property				
General	2,430,190	0.15%	1,216,400	0.08%
Public Utilities	<u>28,749,180</u>	<u>1.79%</u>	<u>30,541,300</u>	<u>1.90%</u>
Total Assessed Valuation	<u>\$ 1,602,778,910</u>	<u>100.00%</u>	<u>\$ 1,607,786,380</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 4.35		\$ 4.35	

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Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 6/30/09	Additions	Reductions	Balance 6/30/10
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 195,190	\$ 0	\$ 0	\$ 195,190
Construction in Progress	124,426	1,830,043	0	1,954,469
Total Capital Assets, not being depreciated	319,616	1,830,043	0	2,149,659
<i>Capital Assets, being depreciated:</i>				
Land Improvements	332,508	0	0	332,508
Buildings	5,284,257	0	0	5,284,257
Furniture and Equipment	1,405,913	18,006	0	1,423,919
Vehicles	22,500	34,556	0	57,056
Total Capital Assets, being depreciated	7,045,178	52,562	0	7,097,740
Less Accumulated Depreciation:				
Land Improvements	(318,591)	(9,466)	0	(328,057)
Buildings	(4,288,336)	(133,364)	0	(4,421,700)
Furniture and Equipment	(1,003,778)	(54,068)	0	(1,057,846)
Vehicles	(20,250)	(5,831)	0	(26,081)
Total Accumulated Depreciation	(5,630,955)	(202,729)	0	(5,833,684)
Total Capital Assets being depreciated, net	1,414,223	(150,167)	0	1,264,056
Governmental Activities Capital Assets, Net	\$ 1,733,839	\$ 1,679,876	\$ 0	\$ 3,413,715

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction:	
Vocational	\$ 200,392
Support Services:	
Administration	610
Fiscal	530
Operation and Maintenance of Plant	1,197
Total Depreciation	\$ 202,729

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 7 - Receivables

Receivables at June 30, 2010, consisted of taxes and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

Note 8 - Risk Management

A. Property and Liability

The Career Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Career Center maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. Settled claims have not exceeded this coverage in any of the past three years, nor has there been any significant reduction in insurance coverage from the prior year.

B. Workers' Compensation

The Career Center participates in the Ohio School Comp Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. This represents a merger of individual pooling programs for the Ohio School Boards Association (OSBA) and the Ohio Association of School Business Officials (OASBO). Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The Career Center is a member of the Stark County Schools Council (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The Career Center accounts for the premiums paid as expenditures in the general or applicable fund.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 9 – 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-five days of vacation per year, depending upon length of service. Teachers do not earn vacation time. Administrators employed to work 260 days per year can earn twenty days of vacation annually. Accumulated unpaid vacation is limited to the amount earned during one year. Employees are paid one hundred percent of their accumulated unpaid vacation when they terminate their employment for any reason.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 315 days. Employees shall receive severance pay equal to 25% of up to 315 accumulated for a maximum of 79 days.

Note 10 - Defined Benefit Pension Plans

A. School Employees Retirement System

The Career Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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, Columbus, Ohio 43215-3746 or by calling (614) 222-5853. It is also posted on SERS' website, www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10% of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current Career Center rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The 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 2010, the allocation to pension and death benefits is 12.78% of annual covered salary. For fiscal year 2009 the amount was 9.09% and for fiscal year 2008 the amount was 9.16%. The contributions to SERS for pension obligations for the fiscal years ended June 30, 2010, 2009, and 2008 were \$103,542, \$66,301, and \$62,363, respectively; 88% has been contributed for fiscal year 2010 and 100% for the fiscal years 2009 and 2008. \$14,173 represents the unpaid contribution for fiscal year 2010, and is recorded as a liability.

B. State Teachers Retirement System

The Career Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5% of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2010, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal years 2008 and 2007, the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009 and 2008 were \$410,077, \$427,245 and \$431,415, respectively; 85% has been contributed for fiscal year 2010 and 100% for the fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$25,314 made by the Career Center and \$18,082 made by the plan members.

Note 11 - Postemployment Benefits

A. School Employees Retirement System

The Career Center participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan included 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. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2010, the health care allocation was .46%, at June 30, 2009 and 2008, the health care allocation was 4.16% and 4.18%, respectively. The District's contributions for the years ended June 30, 2010, 2009 and 2008 were \$3,727, \$30,342, \$28,458, respectively.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. For the Career Center during fiscal year 2010 this amounted to \$9,291.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76% and for fiscal years 2009 and 2008 the required allocation was .75% and .66%, respectively. The Career Center contributions for the fiscal years 2010, 2009 and 2008 were \$, \$6,157, \$5,470 and 4,493, respectively.

B. State Teachers Retirement System

The Career Center contributes to the cost sharing multiple employer defined benefit Health 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 or by calling (888) 227-7877.

Ohio law authorized 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 portion of the health care cost in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to Health Care Stabilization Fund for the years ended June 30, 2010, 2009 and 2008. The Career Center's contributions for health care for fiscal years ended June 30, 2010, 2009 and 2008 were \$36,448, \$36,016 and \$33,518, respectively.

Note 12 - Long - Term Obligations

The changes in the Career Center's long-term obligations during the year consist of the following:

	Outstanding 6/30/2009	Additions	Reductions	Outstanding 6/30/2010	Due in One Year
Governmental Activities:					
Loan Payable:					
Vocational School Building Assistance					
Due 6/24/19, 0%	\$ 333,335	\$ 0	\$ 33,333	\$ 300,002	\$ 33,333
Compensated Absences	433,850	237,364	207,654	463,560	58,789
Total Governmental Activities					
Long-Term Liabilities	\$ 767,185	\$ 237,364	\$ 240,987	\$ 763,562	\$ 92,122

In 2004 the Career Center received a \$500,000 interest free loan from the Ohio School Facilities program, which was subsequently used to pay off an improvement note. The retirement of the loan will be made through the debt service fund.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Compensated Absences will be paid from the fund in which the employee is paid. In prior years, this fund has primarily been the general fund.

Principal and interest requirements to retire loans outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30,	Loans		
	Principal	Interest	Total
2011	\$ 33,333	\$ 0	\$ 33,333
2012	33,333	0	33,333
2013	33,333	0	33,333
2014	33,333	0	33,333
2015	33,334	0	33,334
2016 - 2019	133,336	0	133,336
Totals	<u>\$ 300,002</u>	<u>\$ 0</u>	<u>\$ 300,002</u>

Note 13 - Jointly Governed Organizations

A. Northeastern Ohio Network for Educational Technology

The Northeastern Ohio Network for Educational Technology (NEONET) is a jointly governed organization comprised of 17 School District members. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these members supports NEONET based on a per pupil charge dependent upon the software package utilized. The NEONET assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEONET is governed by a board of directors chosen from the general membership of the NEONET assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating members are located. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center which serves as fiscal agent, located at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2010, the Career Center paid approximately \$15,232 to NEONET for basic service charges.

B. Interval Opportunity School

The Interval Opportunity School (the School) is a jointly governed organization made up of six area public participants. The function of the School is to provide “at risk students” with possibly a last and a better opportunity to succeed in both their academic and social maturation. Each member district pays an annual fee based on the number of students serviced by the school. The Career Center paid \$45,193 to the School in fiscal year 2010 for services. The School is governed by a Board of Directors comprised of each Superintendent from Coventry, Green and the Career Center. The Coventry Local School District serves as the fiscal agent of the School. The continued existence of the School is not dependent on the Career Center’s continued participation and no equity interest exists.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 14 – Contingencies

The Career Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Career Center at June 30, 2010.

Note 15 - Interfund Transfers

Transfers made during fiscal year 2010 were as follows:

Funds	Transfer In	Transfer Out
General Fund	\$ 0	\$ 37,819
Other Nonmajor Governmental Funds	37,819	0
 Total	\$ 37,819	\$ 37,819

Transfers are primarily used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 16 - Set-Asides

The Career Center is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

Effective April 10, 2001, Senate Bill 345, eliminated the requirement that the Career Center establish and maintain a budget stabilization reserve. The monies which do not represent the Bureau of Workers Compensation (BWC) refunds may be left in the budget reserve set-aside, or returned to the general fund and used at the discretion of the of the Career Center’s Board of Education.

The following cash basis information describes the change in the year end set-aside amounts for textbooks and capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

	Budget Stabilization	Capital Improvement	Textbooks Instructional Materials	Totals
Set-Aside Carry Over Balance as of June 30, 2009	\$ 185,120	\$ 0	\$ (258,353)	\$ (73,233)
Current Year Set-Aside Requirement	0	59,545	59,545	119,090
Qualifying Disbursements	0	(2,152,325)	(211,394)	(2,363,719)
Total	\$ 185,120	\$ (2,092,780)	\$ (410,202)	\$ 185,120
Balance Carried Forward FY 2011	\$ 185,120	\$ 0	\$ (410,202)	\$ (225,082)
Amount to Restrict for Set-Asides				\$ 38,707
Amount to Set-Aside				\$ 185,120

The Career Center had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts may only be used to reduce the set-aside requirement of future years for the purchase of textbooks and/or instructional materials. Negatives are therefore not presented as being carried forward to the next fiscal year for the other set-asides. The total reserve balance for the set-asides at the end of the fiscal year was \$185,120. Of the \$185,120, \$38,707 represents BWC refunds which are reported as a reserve fund balance. The remaining amount of \$146,413 is reported as a designated for budget stabilization.

Note 17 – Fund Balance Restatement

The Career Center determined that the activity in the replacement fund would be better classified as part of the general fund. The following is the adjustment to fund balance:

	General Fund	Replacement Fund
Fund Balance June 30, 2009	\$ 9,776,163	\$ 2,320,000
Reclassification of Replacement Fund	2,320,000	(2,320,000)
Restated Fund Balance July 1, 2009	\$ 12,096,163	\$ 0

The following is the adjustment to the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual for the general fund:

	General Fund
Fund Balance June 30, 2009	\$ 9,938,170
Reclassification of Replacement Fund	2,320,000
Restated Fund Balance July 1, 2009	\$ 12,258,170

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**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Sub Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Receipts	Expenditures
<u>U.S. Department of Education</u>				
(Direct)				
Student Financial Aid Cluster:				
Federal Pell Grant Program	84.063	N/A	401,263	401,263
Federal Family Education Loans	84.032	N/A	264,361	264,361
Total Student Financial Aid Cluster			665,624	665,624
(Passed through the Ohio Department of Education)				
Career and Technical Education - Basic Grants to States	84.048	N/A	0	1,334
		N/A	149,989	149,989
		N/A	76,436	76,436
<i>Total Career and Technical Education - Basic Grants to States</i>			226,425	227,759
Safe and Drug Free Schools and Communities - State Grants	84.186	N/A	899	899
Improving Teacher Quality State Grants	84.367	N/A	3,088	3,088
Total			\$896,036	\$897,370

The accompanying notes are an integral part of this schedule.

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – OUTSTANDING LOANS

The Career Center does not make Federal Family Education Loans (FFELs). For the fiscal year 2010, the Career Center certified need for \$401,263 in Guaranteed Student Loans and Supplemental Loans. The amount presented represents the value of new FFELs awarded during the fiscal year as follows:

Federal Stafford Loans	\$179,254
Federal Unsubsidized Stafford Loans	<u>222,009</u>
Total FFELs	<u><u>401,263</u></u>



Mary Taylor, CPA

Auditor of State

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

Portage Lakes Career Center
Summit County
4401 Shriver Road
P.O. Box 248
Green, Ohio 44232

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Portage Lakes Career Center, Summit County, Ohio (the Center) as of and for the year ended June 30, 2010, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 10, 2010 wherein we noted the Center restated the General Fund's fund balance. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

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A significant deficiency is a deficiency or 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. We consider finding 2010-002 described in the accompanying schedule of findings to be a significant deficiency.

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated December 10, 2010.

The Center's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Center's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

December 10, 2010



Mary Taylor, CPA

Auditor of State

Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Portage Lakes Career Center
Summit County
4401 Shriver Road
P.O. Box 248
Green, Ohio 44232

To the Board of Education:

Compliance

We have audited the compliance of the Portage Lakes Career Center (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Portage Lakes Career Center's major federal program for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal program. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with those requirements.

In our opinion, the Portage Lakes Career Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Center's management in a separate letter dated December 10, 2010.

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



Mary Taylor, CPA
Auditor of State

December 10, 2010

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

1.

<i>Finding Number</i>	2010-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code Section 3315.11 indicates the board of education of any city, exempted village, or local school district may establish and maintain a replacement fund, and for that purpose, set aside annually out of its revenue such sum as is necessary for said purpose.

The Career Center created a replacement fund; however, since they are not a city, exempted village, or local school district they did not have the authority to create the fund. As a result, the financial statements have been adjusted to remove the major Replacement Fund and reflect the activity in the General Fund. The beginning balance of the General Fund was increased \$2,320,000 to \$12,096,163. Additionally, as indicated below, the client's books were adjusted after fiscal year end.

Official's Response: The current management of the Portage Lakes Career Center agrees with the Finding, which memorializes noncompliance with ORC 3315.11. As a corrective action, the Career Center's Board of Education voted to dissolve the fund at its Regular Meeting on January 13, 2011. It is worth noting the fund in question existed on the books of the Career Center for decades, before the Auditor of State and the Career Center's current management questioned the legality of said fund. The current management would also like to state for the record that the noncompliance was unintentional, and that all transactions conducted in connection with the Replacement Fund were consistent with the intentions of the Board of Education when the fund was originally established. Specifically, the Board intended the Replacement Fund to function as a capital reserve fund, and the proceeds within the Fund were used as the primary funding source for the 2010 Health Wing construction.

2. **Final Budgeted Amounts Exceeding Actual Budgeted Amounts**

<i>Finding Number</i>	2010-002
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Significant Deficiency

During review of the Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual for the Adult Education Fund it was noted the amount reported as the Final Budgeted appropriation amount exceeded the actual final budgeted appropriation amount approved by the Board of Education by \$94,000.

The Career Center should review the draft financial statements and agree amounts listed to the Center's records where applicable. The statement referred to above has been adjusted to remove the \$94,000 from the final budgeted column.

Official's Response: Management acknowledges the Final Budgeted appropriation amount presented on the Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual for the Adult Education Fund does not match the amount approved by the Board of Education in its June 17, 2010, appropriation resolution. It appears simple human error caused the final appropriation modification to be inaccurately applied to the draft financial statements. Future managerial reviews of GAAP conversion workpapers will include a more detailed comparison of information provided to the conversion team, to the draft financial statements which are output by the conversion team.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

PORTAGE LAKES CAREER CENTER

SUMMIT 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
FEBRUARY 8, 2011**