



Dave Yost • Auditor of State

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Portage Lakes Career Center
Summit County
4401 Shriver Road
Uniontown, OH 44685

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 Portage Lakes Career Center, Summit County, Ohio (the Center), as of and for the year ended June 30, 2012, 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 Portage Lakes Career Center, Summit County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparisons for the General and Adult Education Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2013, 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.

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 as derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 25, 2013

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The discussion and analysis of the Portage Lakes Career Center's (the "Career Center") financial performance provides an overall review of the Career Center's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Career Center's 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 2012 are as follows:

- Net assets decreased \$245,100, which represents a 1.5% decrease from 2011.
- Capital assets increased \$152,999 during fiscal year 2012.
- During the year, outstanding debt decreased from \$266,669 to \$233,336 due to principal payments made by the Career Center.

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 Portage Lakes 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. The fund financial statements also look at the Career Center's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Portage Lakes Career Center, the general fund and the adult education fund are by far the most significant funds.

Reporting the Career Center as a Whole

Statement of Net Assets and the Statement of Activities

While the basic financial statements contain the large number of funds used by the Career Center to provide programs and activities, the view of the Career Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities 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, 2012

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*, Governmental Activities include the Career Center's programs and services, including instruction, support services, operation and maintenance of plant, and extracurricular activities.

Reporting the Career Center's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 12. Fund financial reports provide detailed information about the Career Center's major funds. The Career Center uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the Career Center's most significant funds. The Career Center's major governmental funds are the general fund and the adult education fund.

Governmental Funds Most of the Career Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets 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.

Reporting the Career Center's Fiduciary Responsibilities

The Career Center is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The Career Center also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The Career Center's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets* on pages 18 and 19. These activities are excluded from the Career Center's other financial statements because the assets cannot be utilized by the Career Center to finance its operations.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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 2012 compared to 2011:

Table 1
Net Assets

	Governmental Activities	
	2012	Restated 2011
Assets		
Current and Other Assets	\$ 15,943,844	\$ 16,227,393
Capital Assets	4,100,780	3,947,781
<i>Total Assets</i>	<u>20,044,624</u>	<u>20,175,174</u>
Liabilities		
Other Liabilities	3,573,721	3,452,621
Long-Term Liabilities	789,950	796,500
<i>Total Liabilities</i>	<u>4,363,671</u>	<u>4,249,121</u>
Net Assets		
Invested in Capital Assets,		
Net of Debt	3,867,444	3,681,112
Restricted	899,225	1,387,156
Unrestricted	10,914,284	10,857,785
<i>Total Net Assets</i>	<u>\$ 15,680,953</u>	<u>\$ 15,926,053</u>

At year end, capital assets represented 20 percent of total assets. Capital assets include, land, land improvements, buildings, furniture and equipment, and vehicles. Capital assets, net of related debt were \$3,867,444 at June 30, 2012. These capital assets are used to provide services to students and are not available for future spending. Although the Career Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Career Center's net assets, \$899,225 or 6 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net assets of \$10,914,284 may be used to meet the government's ongoing obligations to students and creditors.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Table 2 shows the changes in net assets for fiscal year 2012 and 2011.

Table 2
Changes in Net Assets

	Governmental Activities	
	2012	2011
<i>Revenues</i>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,551,957	\$ 1,411,826
Operating Grants	815,720	722,931
<i>Total Program Revenues</i>	<u>2,367,677</u>	<u>2,134,757</u>
<i>General Revenues:</i>		
Property Taxes	2,890,138	2,998,026
Grants and Entitlements Not Restricted	2,548,609	2,928,721
Other	70,397	67,024
<i>Total General Revenues</i>	<u>5,509,144</u>	<u>5,993,771</u>
<i>Total Revenues</i>	<u>7,876,821</u>	<u>8,128,528</u>
<i>Program Expenses</i>		
<i>Instruction:</i>		
Regular	409,971	408,246
Special	302,125	309,871
Vocational	3,606,061	3,747,557
Adult/Continuing	1,556,146	1,194,058
Other	1,047	2,508
<i>Support Services:</i>		
Pupils	357,125	235,830
Instructional Staff	77,604	80,267
Board of Education	25,767	22,709
Administration	783,699	727,227
Fiscal	414,726	416,329
Operation and Maintenance of Plant	430,387	410,155
Pupil Transportation	42,617	42,646
Central	100,357	98,513
Extracurricular Activities	14,289	13,533
<i>Total Expenses</i>	<u>8,121,921</u>	<u>7,709,449</u>
<i>Increase (Decrease) in Net Assets</i>	<u>\$ (245,100)</u>	<u>\$ 419,079</u>

There was a \$245,100 decrease in Net Assets for fiscal year 2012. Revenue decreased due to the loss of the tangible personal property tax loss reimbursement. Expenses also increased \$412,472.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2012	2011	2012	2011
Instruction:				
Regular	\$ 409,971	\$ 408,246	\$ 409,971	\$ 408,246
Special	302,125	309,871	302,125	309,871
Vocational	3,606,061	3,747,557	2,483,247	2,698,379
Adult/Continuing	1,556,146	1,194,058	445,871	174,474
Other	1,047	2,508	1,047	2,508
Support Services:				
Pupils	357,125	235,830	242,665	197,017
Instructional Staff	77,604	80,267	75,466	77,015
Board of Education	25,767	22,709	25,767	22,709
Administration	783,699	727,227	774,317	715,936
Fiscal	414,726	416,329	414,726	411,329
Operation and Maintenance of Plant	430,387	410,155	430,387	410,155
Pupil Transportation	42,617	42,646	42,617	42,646
Central	100,357	98,513	100,357	98,513
Extracurricular Activities	14,289	13,533	5,681	5,894
<i>Total Expenses</i>	<u>\$ 8,121,921</u>	<u>\$ 7,709,449</u>	<u>\$ 5,754,244</u>	<u>\$ 5,574,692</u>

The dependence upon general revenues for governmental activities is apparent. Nearly 71 percent of governmental activities are supported through taxes and other general revenues; such revenues are 70 percent of total governmental revenues. The community, as a whole, is by far the primary support for the Career Center students.

Governmental Funds

Information about the Career Center's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,858,215 and expenditures of \$8,285,439 for fiscal year.

The general fund's net change in fund balance for fiscal year 2012 was an increase of \$56,820.

The Adult Education fund balance decreased by \$485,844 due to increased expenses.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the Career Center did amend its general fund budget a few times. The Career Center uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue was \$6,675,403, which is higher than the final budget basis revenue by \$73,343. Most of this difference is due to an underestimation of intergovernmental and property tax revenue.

Final expenditure appropriations of \$6,773,599 were \$87,604 higher than the actual expenditures and other financing uses of \$6,685,955 as cost savings were recognized for instruction and student support services throughout the year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the Career Center had \$4,100,780 invested in capital assets. Table 4 shows fiscal year 2012 balances compared with 2011.

Table 4
Capital Assets at June 30
Net of Depreciation

	Governmental Activities	
	2012	Restated 2011
Land	\$ 195,190	\$ 195,190
Land Improvements	258,850	231,168
Buildings and Building Improvements	2,919,462	2,980,345
Furniture and Fixtures	684,203	491,121
Vehicles	43,075	49,957
<i>Totals</i>	\$ 4,100,780	\$ 3,947,781

Capital Assets were restated for 2011 due to a capital asset re-evaluation done by an appraisal company during 2012. See Note 3 for more information on the restatement. The \$152,999 increase in capital assets was attributable to additional purchases exceeding current year depreciation. See Note 7 for more information about the capital assets of the Career Center.

Portage Lakes Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Debt

At June 30, 2012, the Career Center had \$233,336 in debt outstanding. See Note 13 for additional details. Table 5 summarizes loans outstanding.

Table 5
Outstanding Debt at Year End

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Loans Payable:		
Vocation School Building Assitance	<u>\$ 233,336</u>	<u>\$ 266,669</u>

Current Issues

Portage Lakes Career Center receives over half of its total General Fund revenue from the Ohio Department of Education. The Career Center receives additional revenue for being on the state guarantee. In fiscal year 2012, the revenue related to the guarantee was \$928,480. The Career Center also receives a significant amount of revenue in open enrollment from the four districts served. In fiscal year 2012, the open enrollment amount totaled \$605,082. 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 near the statutory minimum of 2 mills. There are no new proposed levies for the forecast period, and it is the intent of current management to continue to operate the Center in a manner which is responsible and sustainable, resulting in no additional sacrifices being necessary from taxpayers.

The five-year forecast projects positive carryover balances 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, resulting in the Center earning its first Auditor of State Award in the 2011 fiscal period. The Career Center's healthy financial reserves will help the Center continue to serve its mission, despite the continued deterioration of regional, state, national and international economic health. The Career Center's focus on sustainability has resulted in the Center maintaining solid finances, while also improving facilities and overall academic achievement.

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 Christopher Wright, Treasurer/CFO of Portage Lakes Career Center, 4401 Shriver Road, Uniontown, Ohio 44685 or CWright@plcc.edu.

Portage Lakes Career Center

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$ 12,868,513
Receivables:	
Property Taxes	3,075,331
Nondepreciable Capital Assets	195,190
Depreciable Capital Assets (Net)	<u>3,905,590</u>
<i>Total Assets</i>	<u>20,044,624</u>
Liabilities	
Accounts Payable	62,245
Accrued Wages and Benefits	668,066
Contracts Payable	16,868
Intergovernmental Payable	118,751
Accrued Vacation Leave Payable	36,150
Matured Compensated Absences Payable	15,101
Deferred Revenue	2,656,540
Long Term Liabilities:	
Due Within One Year	202,556
Due In More Than One Year	<u>587,394</u>
<i>Total Liabilities</i>	<u>4,363,671</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,867,444
Restricted For:	
Other Purposes	899,225
Unrestricted	<u>10,914,284</u>
<i>Total Net Assets</i>	<u>\$ 15,680,953</u>

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
			Governmental Activities	
Governmental Activities				
Instruction:				
Regular	\$ 409,971	\$ 0	\$ 0	\$ (409,971)
Special	302,125	0	0	(302,125)
Vocational	3,606,061	702,094	420,720	(2,483,247)
Adult/Continuing	1,556,146	841,255	269,020	(445,871)
Other	1,047	0	0	(1,047)
Support Services:				
Pupils	357,125	0	114,460	(242,665)
Instructional Staff	77,604	0	2,138	(75,466)
Board of Education	25,767	0	0	(25,767)
Administration	783,699	0	9,382	(774,317)
Fiscal	414,726	0	0	(414,726)
Operation and Maintenance of Plant	430,387	0	0	(430,387)
Pupil Transportation	42,617	0	0	(42,617)
Central	100,357	0	0	(100,357)
Extracurricular Activities	14,289	8,608	0	(5,681)
Total	\$ 8,121,921	\$ 1,551,957	\$ 815,720	(5,754,244)

General Revenues

Property Taxes Levied for:

General Purposes	2,890,138
Grants and Entitlements Not Restricted to Specific Programs	2,548,609
Investment Earnings	41,573
Miscellaneous	28,824

Total General Revenues 5,509,144

Change in Net Assets (245,100)

Net Assets Beginning of Year (Restated-See Note 3) 15,926,053

Net Assets End of Year \$ 15,680,953

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
Balance Sheet
Governmental Funds
June 30, 2012

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 11,820,855	\$ 1,007,136	\$ 1,815	\$ 12,829,806
Restricted Cash and Cash Equivalents	38,707	0	0	38,707
Receivables:				
Property Taxes	3,075,331	0	0	3,075,331
<i>Total Assets</i>	<u>\$ 14,934,893</u>	<u>\$ 1,007,136</u>	<u>\$ 1,815</u>	<u>\$ 15,943,844</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 50,303	\$ 11,942	\$ 0	\$ 62,245
Accrued Wages and Benefits	624,775	43,291	0	668,066
Contracts Payable	16,868	0	0	16,868
Intergovernmental Payable	109,208	9,543	0	118,751
Matured Compensated Absences Payable	15,101	0	0	15,101
Deferred Revenue	2,778,165	0	0	2,778,165
<i>Total Liabilities</i>	<u>3,594,420</u>	<u>64,776</u>	<u>0</u>	<u>3,659,196</u>
Fund Balances				
Restricted	38,707	942,360	1,815	982,882
Committed	11,000	0	0	11,000
Assigned	767,786	0	0	767,786
Unassigned	10,522,980	0	0	10,522,980
<i>Total Fund Balances</i>	<u>11,340,473</u>	<u>942,360</u>	<u>1,815</u>	<u>12,284,648</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 14,934,893</u>	<u>\$ 1,007,136</u>	<u>\$ 1,815</u>	<u>\$ 15,943,844</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, 2012

Total Governmental Fund Balances		\$ 12,284,648
 <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.		4,100,780
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes		121,625
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Loan Payable	(233,336)	
Accrued Vacation Leave Payable	(36,150)	
Compensated Absences	(556,614)	
Total	(826,100)	(826,100)
 <i>Net Assets of Governmental Activities</i>		 \$ 15,680,953

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 2,871,531	\$ 0	\$ 0	\$ 2,871,531
Intergovernmental	2,967,530	205,222	191,578	3,364,330
Investment Income	41,573	0	0	41,573
Tuition and Fees	672,902	841,255	0	1,514,157
Extracurricular Activities	8,609	0	0	8,609
Charges for Services	29,191	0	0	29,191
Miscellaneous	23,132	5,692	0	28,824
<i>Total Revenues</i>	<u>6,614,468</u>	<u>1,052,169</u>	<u>191,578</u>	<u>7,858,215</u>
Expenditures				
Current:				
Instruction:				
Regular	406,035	0	0	406,035
Special	316,601	0	0	316,601
Vocational	3,461,864	2,448	0	3,464,312
Adult/Continuing	3,715	1,485,565	62,979	1,552,259
Other	1,047	0	0	1,047
Support Services:				
Pupils	235,788	0	115,367	351,155
Instructional Staff	75,466	0	2,138	77,604
Board of Education	25,767	0	0	25,767
Administration	742,276	30,000	9,294	781,570
Fiscal	392,208	20,000	0	412,208
Operation and Maintenance of Plant	425,854	0	0	425,854
Pupil Transportation	42,617	0	0	42,617
Central	99,917	0	0	99,917
Extracurricular Activities	14,289	0	0	14,289
Capital Outlay	280,871	0	0	280,871
Debt Service:				
Principal Retirement	0	0	33,333	33,333
<i>Total Expenditures</i>	<u>6,524,315</u>	<u>1,538,013</u>	<u>223,111</u>	<u>8,285,439</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>90,153</u>	<u>(485,844)</u>	<u>(31,533)</u>	<u>(427,224)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	33,333	33,333
Transfers Out	(33,333)	0	0	(33,333)
<i>Total Other Financing Sources (Uses)</i>	<u>(33,333)</u>	<u>0</u>	<u>33,333</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	56,820	(485,844)	1,800	(427,224)
<i>Fund Balances Beginning of Year</i>	<u>11,283,653</u>	<u>1,428,204</u>	<u>15</u>	<u>12,711,872</u>
<i>Fund Balances End of Year</i>	<u>\$ 11,340,473</u>	<u>\$ 942,360</u>	<u>\$ 1,815</u>	<u>\$ 12,284,648</u>

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds \$ (427,224)

*Amounts reported for governmental activities in the
statement of activities are different because:*

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.

Capital Asset Additions	\$	428,600
Current Year Depreciation		<u>(275,601)</u>

Total		152,999
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes		18,606
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Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

33,333

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		(26,783)
Accrued Vacation Leave Payable		<u>3,969</u>

Total		<u>(22,814)</u>
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Change in Net Assets of Governmental Activities

\$ (245,100)

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, 2012*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 2,918,682	\$ 2,918,682	\$ 2,951,106	\$ 32,424
Intergovernmental	2,934,925	2,934,925	2,967,530	32,605
Investment Income	62,838	62,838	63,536	698
Tuition and Fees	665,509	665,509	672,902	7,393
Miscellaneous	20,106	20,106	20,329	223
<i>Total Revenues</i>	<u>6,602,060</u>	<u>6,602,060</u>	<u>6,675,403</u>	<u>73,343</u>
Expenditures				
Current:				
Instruction:				
Regular	424,831	424,831	419,309	5,522
Special	304,908	304,908	300,945	3,963
Vocational	3,393,375	3,393,375	3,349,271	44,104
Other	3,947	3,947	3,896	51
Support Services:				
Pupils	235,755	235,755	232,691	3,064
Instructional Staff	75,609	75,609	74,626	983
Board of Education	27,154	27,154	26,801	353
Administration	951,913	951,913	939,541	12,372
Fiscal	403,355	403,355	398,113	5,242
Operation and Maintenance of Plant	433,970	433,970	428,330	5,640
Pupil Transportation	53,362	53,362	52,668	694
Central	101,918	101,918	100,593	1,325
Extracurricular Activities	841	841	830	11
Capital Outlay	329,288	329,288	325,008	4,280
<i>Total Expenditures</i>	<u>6,740,226</u>	<u>6,740,226</u>	<u>6,652,622</u>	<u>87,604</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(138,166)</u>	<u>(138,166)</u>	<u>22,781</u>	<u>160,947</u>
Other Financing Sources (Uses)				
Transfers Out	(33,333)	(33,333)	(33,333)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(33,333)</u>	<u>(33,333)</u>	<u>(33,333)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(171,499)	(171,499)	(10,552)	160,947
<i>Fund Balance Beginning of Year (Restated - See Note 3)</i>	11,200,245	11,200,245	11,200,245	0
Prior Year Encumbrances Appropriated	373,559	373,559	373,559	0
<i>Fund Balance End of Year</i>	<u>\$ 11,402,305</u>	<u>\$ 11,402,305</u>	<u>\$ 11,563,252</u>	<u>\$ 160,947</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 Fund
 For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Intergovernmental	194,726	199,594	205,222	5,628
Tuition and Fees	799,873	819,870	842,989	23,119
Miscellaneous	5,401	5,536	5,692	156
<i>Total Revenues</i>	<u>1,000,000</u>	<u>1,025,000</u>	<u>1,053,903</u>	<u>28,903</u>
Expenditures				
Current:				
Instruction:				
Vocational	9,324	9,465	8,950	515
Adult/Continuing	1,597,848	1,621,923	1,533,746	88,177
Support Services:				
Administration	31,254	31,725	30,000	1,725
Fiscal	20,836	21,150	20,000	1,150
<i>Total Expenditures</i>	<u>1,659,262</u>	<u>1,684,263</u>	<u>1,592,696</u>	<u>91,567</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(659,262)</u>	<u>(659,263)</u>	<u>(538,793)</u>	<u>120,470</u>
<i>Net Change in Fund Balance</i>	(659,262)	(659,263)	(538,793)	120,470
<i>Fund Balance Beginning of Year</i>	1,346,681	1,346,681	1,346,681	0
Prior Year Encumbrances Appropriated	134,255	134,255	134,255	0
<i>Fund Balance End of Year</i>	<u>\$ 821,674</u>	<u>\$ 821,673</u>	<u>\$ 942,143</u>	<u>\$ 120,470</u>

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 4,400	\$ 98,170
Cash and Cash Equivalents in Segregated Accounts	28,715	0
Accounts Receivable	1,333	0
<i>Total Assets</i>	34,448	\$ 98,170
Liabilities		
Undistributed Monies	0	285
Due to Students	0	97,885
<i>Total Liabilities</i>	0	\$ 98,170
Net Assets		
Held in Trust for Scholarships	\$ 34,448	

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 15,996
Investment Earnings	4
	16,000
<i>Total Additions</i>	<i>16,000</i>
Deductions	
Payments in Accordance with Trust Agreements	11,600
	4,400
<i>Change in Net Assets</i>	<i>4,400</i>
<i>Net Assets Beginning of Year</i>	<i>30,048</i>
<i>Net Assets End of Year</i>	<i>\$ 34,448</i>

See accompanying notes to the basic financial statements.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 School 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 School 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 two public entity risk pools. These organizations are the Northeast Ohio Network for Educational Technology, the Interval Opportunity School, the Stark County Schools Council of Government and Ohio School Comp Workers’ Compensation Group Rating Program. These organizations are presented in Notes 9 and 14 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 activities 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, 2012

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. Non-major 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, 2012

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

The other governmental funds of the Career Center account for grants and other resources to which the Career Center is bound to observe constraints imposed upon the use of the resources.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Career Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Career Center's own programs. The Career Center's only trust fund is a private purpose trust fund, which accounts for several scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Career Center's only agency fund accounts 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.

Private purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the 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, 2012

Non-exchange transactions, in which the Career Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Career Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Career Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 and student fees.

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, 2012, but which were levied to finance fiscal year 2013 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 2012, investments were limited to repurchase agreements, STAROhio, a money market, U.S. Government Agency notes and Commercial Paper. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. 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, 2012.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 2012 amounted to \$41,573, which includes \$2,709 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. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside for budget stabilization. See Note 17 for additional information regarding set-asides.

G. 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 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

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.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

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 judgements, compensated absences and special termination benefits 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. Loans are recognized as a liability on the fund financial statements when due.

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

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” the Career Center classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Non-spendable – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Career Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Career Center Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. All transfers between governmental funds have been eliminated within the governmental activities column 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

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 2012.

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. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

Note 3 – Restatement of Fund Balances/Net Assets

A fund reclassification is required in order to report funds in accordance with GASB Statement No. 54. This fund reclassification had the following effect on the Career Center’s budgetary statements as previously reported:

	<u>General</u>
Fund Balance, Budgetary, Previously Reported at June 30, 2011	\$11,277,022
Fund Reclassification:	
Rotary Fund	(76,777)
Restated Fund Balance, July 1, 2011	<u>\$11,200,245</u>

Net assets have been restated at July 1, 2011, due to the capital asset re-evaluation by an appraisal company. The adjustments had the following effect on governmental activities as previously reported:

	<u>Governmental Activities</u>
Net Assets, June 30, 2011	\$15,522,845
Adjustments:	
Depreciable assets (net)	(97,762)
Accumulated Depreciation	500,970
Beginning net assets, July 1, 2011	<u>\$15,926,053</u>

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 4 - 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 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 restricted or assigned fund balance (GAAP).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

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 fund.

Net Change in Fund Balance

	General Fund	Adult Education Fund
GAAP Basis	\$ 56,820	\$ (485,844)
Net Adjustment for Revenue Accruals	101,538	1,734
Net Adjustment for Expenditure Accruals	22,130	(54,683)
Funds Budgeted Elsewhere **	(10,771)	0
Adjustment for Encumbrances	(180,269)	0
Budget Basis	\$ (10,552)	\$ (538,793)

**As part of Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes public school support funds and the rotary fund.

Note 5 - Deposits and Investments

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

Portage Lakes Career Center
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For the Fiscal Year Ended June 30, 2012

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);
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,

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 Career Center'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 were \$2,375,262 and the bank balance was \$2,384,479. Of the bank balance:

1. \$1,629,459 of the bank balance was covered by depository insurance; and
2. \$755,020 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.

Portage Lakes Career Center
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Investments

Investments are reported at fair value. As of June 30, 2012, the Career Center had the following investments:

	Fair Value	Maturity			% of Investments
		0-12 Months	13-24 Months	25-36 Months	
First American Government Money Market	\$ 5,147	\$ 5,147	\$ 0	\$ 0	0.05%
First American Prime Money Market	1,500	1,500	0	0	0.01%
Commercial Paper Bond STAROhio	2,596,949	2,596,949	0	0	24.44%
Federal Home Loan Bank	3,737,381	645,179	3,092,202	0	35.18%
Federal Home Loan Discount Note	149,993	149,993	0	0	1.41%
Federal Home Loan Mtg	675,780	675,780	0	0	6.36%
Federal National Mtg Assoc	3,255,448	1,178,277	0	2,077,171	30.65%
Total	\$10,624,536	\$ 5,455,163	\$ 3,092,202	\$ 2,077,171	100.00%

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, 2012 included STAROhio, U.S. Government Agency Notes, Commercial Paper and a money market fund. STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2012, is 53 days and carries a rating of AAAM by Standard and Poor's. Standard and Poor's has rated the U.S. Government Agency Notes as AA+, and Commercial Paper and the Discount Note as A-1+.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Career Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Career Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The Career Center's investment policy authorizes the Treasurer to invest a maximum of 25 percent of interim funds in either or a combined total of commercial paper and bankers acceptances. This is the only limit placed on the amount that may be invested in any one issuer. The table above includes the percentage of total of each investment type held by the Career Center at June 30, 2012.

Note 6 - Property Taxes

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

Portage Lakes Career Center
Notes to the Basic Financial Statements
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Property taxes include amounts levied against all real and public utility property located in the Career Center. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the Career Center due to the phasing out of the tax. In calendar years 2006-2010, the Career Center was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The Career Center receives property taxes from Summit County. The County Auditor 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, 2012, are available to finance fiscal year 2012 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 public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and 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, 2012 was \$297,166 in the general fund. The amount available as an advance at June 30, 2011, was \$376,741 in the general fund.

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

	2011 Second Half Collections Valuation	%	2012 First Half Collections Valuation	%
Real Estate	\$ 1,572,092,230	98.00%	\$ 1,440,235,340	97.47%
Public Utility Personal Property	32,007,460	2.00%	37,400,560	2.53%
Total Assessed Valuation	\$ 1,604,099,690	100.00%	\$ 1,477,635,900	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$ 4.35		 \$ 4.35	

Note 7 - Capital Assets

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

	Restated Balance 6/30/11	Additions	Reductions	Balance 6/30/12
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	195,190	0	0	195,190
<i>Capital Assets, being depreciated:</i>				
Land Improvements	288,094	40,800	0	328,894
Buildings	7,360,414	126,493	0	7,486,907
Furniture and Equipment	1,550,915	261,307	0	1,812,222
Vehicles	61,173	0	0	61,173
<i>Total Capital Assets, being depreciated</i>	9,260,596	428,600	0	9,689,196
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(56,926)	(13,118)	0	(70,044)
Buildings	(4,380,069)	(187,376)	0	(4,567,445)
Furniture and Equipment	(1,059,794)	(68,225)	0	(1,128,019)
Vehicles	(11,216)	(6,882)	0	(18,098)
<i>Total Accumulated Depreciation</i>	(5,508,005)	(275,601)	0	(5,783,606)
<i>Total Capital Assets being depreciated, net</i>	3,752,591	152,999	0	3,905,590
 <i>Governmental Activities Capital Assets, Net</i>	 \$ 3,947,781	 \$ 152,999	 \$ 0	 \$ 4,100,780

Portage Lakes Career Center
Notes to the Basic Financial Statements
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	\$ 273,493
Support Services:	
Operation and Maintenance of Plant	<u>2,108</u>
Total Depreciation	<u>\$ 275,601</u>

Note 8 - Receivables

Receivables at June 30, 2012, consisted of property taxes. Taxes receivable is considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

Note 9 - 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 percent 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 Career Centers 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 Career Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Career Centers is calculated as one experience and a common premium rate is applied to all Career Centers 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 Career Centers that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

Portage Lakes Career Center
Notes to the Basic Financial Statements
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C. Employee Medical Benefits

The Career Center is a member of the Stark County Schools Council of Government (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 Career Centers. 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.

Note 10 – 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 percent of up to 315 accumulated for a maximum of 79 days.

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - 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, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Career Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Career Centers required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$134,367, \$109,180 and \$103,542, respectively; 96 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

Portage Lakes Career Center
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B. State Teachers Retirement System

Plan Description - The Career Center participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website 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 a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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.

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

The Career Center’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$493,299, \$497,339 and \$410,077, respectively; 85 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$14,793 made by the School District and \$10,567 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, certain members of the Board of Education have elected social security. The Board’s liability is 6.2 percent of wages paid.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 12 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The Career Center participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Career Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$15,130, \$13,220, and \$3,727, respectively; 96 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$7,935, \$7,026, and \$6,157, respectively; 96 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Portage Lakes Career Center
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B. State Teachers Retirement System

Plan Description - The Career Center contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Career Center's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$37,946, \$38,257, and \$36,448, respectively; 85 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Note 13 - Long - Term Obligations

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

	Outstanding 6/30/2011	Additions	Reductions	Outstanding 6/30/2012	Amounts Due in One Year
Governmental Activities:					
Loan Payable:					
Vocational School Building Assistance Due 6/24/19, 0%	\$ 266,669	\$ 0	\$ 33,333	\$ 233,336	\$ 33,333
Compensated Absences	529,831	66,174	39,391	556,614	169,223
Total Governmental Activities Long-Term Liabilities	<u>\$ 796,500</u>	<u>\$ 66,174</u>	<u>\$ 72,724</u>	<u>\$ 789,950</u>	<u>\$ 202,556</u>

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.

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.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Fiscal Year Ending June 30,	Loans		
	Principal	Interest	Total
2013	\$ 33,333	\$ 0	\$ 33,333
2014	33,333	0	33,333
2015	33,334	0	33,334
2016	33,334	0	33,334
2017	33,334	0	33,334
2018-2019	66,668	0	66,668
Totals	<u>\$ 233,336</u>	<u>\$ 0</u>	<u>\$ 233,336</u>

Note 14 - 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 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 members. 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 member 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, 2012, the Career Center paid approximately \$18,282 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 School District pays an annual fee based on the number of students serviced by the school. The Career Center paid \$63,818 to the School in fiscal year 2012 for services. The Summit County Education Service Center 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.

Note 15 – Contingencies

A. *Review of Statewide Attendance Data*

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

Portage Lakes Career Center
Notes to the Basic Financial Statements
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B. Grants

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

C. Litigation

The Career Center is not party to any claims or lawsuits that would, in the Career Center's opinion, have a material effect of the basic financial statements.

Note 16 - Interfund Transfers

Transfers made during fiscal year 2012 were as follows:

Funds	Transfer In	Transfer Out
General Fund	\$ 0	\$ 33,333
Other Nonmajor Governmental Funds	33,333	0
Total	\$ 33,333	\$ 33,333

The general fund transferred \$33,333 to the debt service fund to cover principal paid on the outstanding loan.

Note 17 - 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 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.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

	Budget Stabilization	Capital Improvement	Totals
Set Aside Reserve Balance as of June 30, 2011	\$ 185,120	\$ 0	\$ 185,120
Current Year Set-Aside Requirement	0	66,509	66,509
Current Year Qualifying Expenditures	0	(559,917)	(559,917)
Total	\$ 185,120	\$ (493,408)	\$ (308,288)
Balance Carried Forward to FY 2012	\$ 185,120	\$ 0	\$ 185,120
Set Aside Reserve Balance June 30, 2012			\$ 38,707

The Career Center had qualifying disbursements during the year that reduced the capital improvements set-aside below zero. This extra amount may not be used to reduce the set-aside requirement of future years. Negatives are therefore not presented as being carried forward to the next fiscal year. 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 restricted fund balance. The remaining amount of \$146,413 is reported as unassigned for budget stabilization since the requirements that initially established the reserve were not specific to its use.

Note 18 – Fund Balance

Fund balance can be classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Career Center is bound to observe constraints imposed upon the use of the resources in governmental funds.

Portage Lakes Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	<u>General</u>	<u>Adult Education</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:				
Adult Education	\$ 0	\$ 942,360	\$ 0	\$ 942,360
BWC Refund	38,707	0	0	38,707
Other Purposes	0	0	1,815	1,815
Total Restricted	<u>38,707</u>	<u>942,360</u>	<u>1,815</u>	<u>982,882</u>
Committed for:				
Underground Storage Tank	11,000	0	0	11,000
Assigned for:				
Encumbrances				
Instruction	69,559	0	0	69,559
Support Services	58,741	0	0	58,741
Capital Outlay	55,616	0	0	55,616
Subsequent Year Appropriations	583,870	0	0	583,870
Total Assigned	<u>767,786</u>	<u>0</u>	<u>0</u>	<u>767,786</u>
Unassigned	10,522,980	0	0	10,522,980
<i>Total Fund Balance (Deficit)</i>	<u>\$ 11,340,473</u>	<u>\$ 942,360</u>	<u>\$ 1,815</u>	<u>\$ 12,284,648</u>

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

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

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
(Direct)			
Student Financial Aid Cluster:			
Federal Family Education Loans	84.032	\$551,139	\$551,139
Federal Pell Grant Program	84.063	<u>368,327</u>	<u>368,327</u>
Total Student Financial Aid Cluster		<u>919,466</u>	<u>919,466</u>
(Passed Through Ohio Department of Education)			
Career and Technical Education - Basic Grants to States	84.048	187,640	187,640
Improving Teacher Quality State Grants	84.367	<u>2,138</u>	<u>2,138</u>
Total		<u><u>\$1,109,244</u></u>	<u><u>\$1,109,244</u></u>

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, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Portage Lakes Career Center (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 (FFEL). For the fiscal year 2012, the Career Center certified need for \$551,139 in Guaranteed Student Loans and Supplemental Loans. The amount presented represents the value of new FFEL awarded during the fiscal year as follows:

Federal Stafford Loans	\$236,939
Federal Unsubsidized Stafford Loans	<u>314,200</u>
Total Federal Family Education Loans	\$551,139



Dave Yost • Auditor of State

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

Portage Lakes Career Center
Summit County
4401 Shriver Road
Uniontown, OH 44685

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 Portage Lakes Career Center, Summit County, (the Center) as of and for the year ended June 30, 2012, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 25, 2013. 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.

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

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

Compliance and Other Matters

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

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

www.ohioauditor.gov

Portage Lakes Career Center
Summit County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated January 25, 2013.

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

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

Dave Yost
Auditor of State

January 25, 2013



Dave Yost • Auditor of State

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

Portage Lakes Career Center
Summit County
4401 Shriver Road
Uniontown, Ohio 44685

To the Board of Education:

Compliance

We have audited the compliance of 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 each of the Portage Lakes Career Center's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. 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 opine on the Center's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Center's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with these 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 each of its major federal programs for the year ended June 30, 2012.

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 District's management in a separate letter dated January 25, 2013.

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.



Dave Yost
Auditor of State

January 25, 2013

**PORTAGE LAKES CAREER CENTER
SUMMIT COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Student Financial Aid Cluster CFDA #'s 84.032 and 84.063
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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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
MARCH 7, 2013**