



**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Career and Technology Education Centers
Licking County
150 Price Road
Newark, Ohio 43055

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Career and Technology Education Centers, Licking County, Ohio, (the Center) as of and for the year ended June 30, 2007, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Career and Technology Education Centers, Licking County, Ohio, as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparisons for the General and Adult Education Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, the Center restated July 1, 2006 beginning net assets of the Governmental Activities and Business-Type Activities and July 1, 2006 fund balance of the Other Governmental Funds due to reclassification of funds from Enterprise to Special Revenue.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2008, 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 9, 2008

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The discussion and analysis of the Career and Technology Education Centers of Licking County's (C-TEC's) financial performance provides an overview and analysis of C-TEC's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at C-TEC's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of C-TEC's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statements No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- Total assets of the Career and Technology Education Centers of Licking County exceeded its liabilities at June 30, 2007 by \$13,278,102. This balance was comprised of an \$11,507,181 balance in capital assets, net of related debt, \$2,429,674 of net asset amounts restricted for specific purposes, and (\$658,753) in unrestricted net assets.
- In total, net assets of governmental activities decreased by \$993,248, which represents a 6.96 percent decrease from 2006.
- General revenues accounted for \$14,536,407 or 78.53 percent of all revenues of governmental activities. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,975,121 or 21.47 percent of total revenues of \$18,511,527 for the governmental activities.
- C-TEC had \$19,504,776 in expenses related to governmental activities; only \$3,975,121 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$14,536,407 and net assets from the prior year were used to provide for the remainder of these programs.
- C-TEC recognizes four major governmental funds: the General, Adult Education, Bond Retirement and Building Funds. The General Fund had \$11,877,748 in revenues and \$13,111,678 in expenditures in fiscal year 2007.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand C-TEC as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to C-TEC's basic financial statements. C-TEC's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)
(Continued)**

Reporting C-TEC as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of C-TEC's finances, in a manner similar to private-sector business. The statement of net assets and statement of activities provide information about the activities of C-TEC as a whole, presenting both an aggregate view of C-TEC's finances and a longer-term view of those finances. These statements include all assets and liabilities using the accrual basis of accounting which is 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.

The statement of net assets presents information on all of C-TEC's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of C-TEC as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include C-TEC's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, C-TEC's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, a portion of revenues and expenses are reported in this statement for items that will result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, C-TEC's activities are shown as one kind of activity:

Governmental Activities

Most of C-TEC's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting C-TEC's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about C-TEC's major funds. C-TEC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on C-TEC's most significant funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. C-TEC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of C-TEC can be divided into one of two categories: governmental and fiduciary funds.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
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(Continued)**

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. 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.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Funds

C-TEC's fiduciary funds are the private purpose trust and agency funds. We exclude these activities from C-TEC's other financial statements because C-TEC cannot use these assets to finance its operations. Private purpose trust funds are held in a trustee capacity for individuals, private organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of C-TEC as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of C-TEC's net assets for 2007 compared to fiscal year 2006:

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
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(Continued)**

Table 1
Net Assets

	Governmental Activities	
	2007	Restated 2006
<u>Assets:</u>		
Current and Other Assets	\$16,172,421	\$22,274,568
Capital Assets, Net	41,244,305	38,103,535
<i>Total Assets</i>	57,416,726	60,378,103
<u>Liabilities:</u>		
Long-Term Liabilities	33,943,262	32,724,701
Other Liabilities	10,195,363	13,382,052
<i>Total Liabilities</i>	44,138,625	46,106,753
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	11,507,181	3,580,213
Restricted	2,429,674	3,669,141
Unrestricted	(658,753)	7,021,996
<i>Total Net Assets</i>	\$13,278,102	\$14,271,350

Current and other assets decreased \$6,102,147 from fiscal year 2006, the result of a decrease in cash and cash equivalents which is due to expenditures for the construction project.

Capital assets increased by \$3,140,770 as a result of the construction of the new facilities.

Current (other) liabilities decreased \$3,186,689 due to the decrease in contracts payable and retainage payable.

Long-term liabilities increased \$1,218,561 due to the issuance of Bond Anticipation Note and scheduled payments made on debt outstanding.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)**

For governmental activities, C-TEC's largest portion of net assets of \$11,507,181 or 86.66 percent and is related to amounts invested in capital assets, net of related debt. C-TEC used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although C-TEC's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The smallest portion of net assets is unrestricted and carries a deficit balance at year end.

The remaining balance for governmental activities is \$2,429,674 or 18.30 percent is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2007 and provides a comparison to fiscal year 2006.

Table 2
Changes in Net Assets

	Governmental Activities	
	2007	Restated 2006
<u>Revenues:</u>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$1,416,753	\$1,626,852
Operating Grants and Contributions	2,558,368	2,792,157
<i>General Revenues:</i>		
Property Taxes	10,410,259	9,237,300
Unrestricted Grants and Entitlements	3,602,408	3,312,834
Investments Earnings	464,908	429,505
Miscellaneous	58,832	57,989
<i>Total Revenues</i>	18,511,528	17,456,637
<u>Expenses:</u>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	287,553	1,333,950
Special	486,721	459,287
Vocational	7,574,806	5,901,657
Adult/Continuing	1,765,863	1,939,095

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**CAREER AND TECHNOLOGY EDUCATION CENTERS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

Table 2
Changes in Net Assets

	Governmental Activities	
	2007	Restated 2006
<i>Support Services:</i>		
Pupils	568,237	525,847
Instructional Staff	1,652,447	1,357,800
Board of Education	32,761	20,550
Administration	1,037,935	832,615
Fiscal	401,473	318,733
Business	823,925	576,453
Operation and Maintenance of Plant	1,883,014	1,555,953
Pupil Transportation	42,031	28,719
Central	1,106,576	792,731
<i>Operation of Non-Instructional Services:</i>		
Food Services	266,208	221,576
Other	32,280	47,122
Extracurricular Activities	117,359	109,029
Interest and Fiscal Charges	1,425,587	1,462,081
<i>Total Expenses</i>	19,504,776	17,483,198
<i>Changes in Nets Assets</i>	(993,248)	(26,561)
Net Assets at Beginning of Year	14,271,350	14,297,911
Net Assets at End of Year	\$13,278,102	\$14,271,350

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)**

The most significant program expenses for C-TEC are Vocational Instruction, Operation and Maintenance of Plant, Adult/Continuing Instruction, Instructional Staff and Interest and Fiscal Charges. These programs account for 73.32 percent of the total governmental activities. Vocational Instruction, which accounts for 38.84 percent of the total, represents costs associated with providing instructional activities designed to prepare students to enter into the workforce with education in a trade or technical skills. Operation and Maintenance of Plant, which accounts for 9.65 percent of the total, represents costs associated with operating and maintaining C-TEC's facilities. Adult/Continuing Instruction, which accounts for 9.05 percent of the total, represents costs associated with instructional activities designed to develop knowledge and skills to meet immediate and long-range educational objectives. Instructional Staff, which accounts for 8.47 percent of the total, represents costs associated with assisting the teaching staff with the content and process of educating students. Interest and Fiscal Charges, which accounts for 7.30 percent of the total, represents costs associated with the repayment of C-TEC's debt.

The majority of the funding for the most significant programs indicated above is from property taxes and grants and entitlements not restricted for specific programs. Property taxes and grants and entitlements not restricted for specific programs accounts for 75.70 percent of total revenues for governmental activities.

As noted previously, the net assets for governmental activities decreased \$993,249 or 6.96 percent. This is a decrease from last year when net assets decreased \$26,561 or 0.17 percent. Total revenues for governmental activities increased \$1,054,890 or 6.04 percent over the last year and expenses increased \$2,021,578 or 11.56 percent over last year.

C-TEC had program revenue decreases for governmental activities of \$443,888, as well as an increase in general revenues of \$1,498,779. The decrease in program revenues is mostly due to a decrease in operating grants reported as program revenue. There was one significant increase in general revenues. Property taxes increased \$1,172,958 or 12.70 percent due to an increase in property taxes received, an increase in property taxes receivable, and a decrease in deferred revenue related to property taxes receivable.

The total expenses for governmental activities increased as a result of a significant increase in vocational instruction. The increase in vocational instruction services is the result of C-TEC's increase in revenues available to spend.

Governmental Activities

Over the past several fiscal years, C-TEC has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. C-TEC is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 56.21 percent and intergovernmental revenue made up 33.25 percent of the total revenue for the governmental activities in fiscal year 2007.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation until the millage rate has been reduced to 2 mills. C-TEC's operating millage rate is currently at 2 mills and collections do increase/decrease correspondingly with fluctuations in property valuations.

C-TEC's 1.0 mill Debt Service Levy is an important piece of the financial picture. The levy is set to receive approximately \$3,000,000 and is to be used to fund the debt payments for the general obligation bonds issued to construct new facilities. The levy was first passed by District voters in 2002 and collection began in 2004.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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C-TEC's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2007, C-TEC received \$3,842,998 through the State's foundation program, which represents 20.75 percent of the total revenue for the governmental activities. C-TEC relies on this state funding to operate at the current levels of service.

Instruction accounts for 51.86 percent of governmental activities program expenses. Support services expenses make up 38.70 percent of governmental activities expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, the total cost of services and the net cost of services for fiscal year 2007 compared with fiscal year 2006. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Net Cost of Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006
<u>Program Expenses:</u>				
<i>Governmental Activities:</i>				
Instruction	\$10,114,943	\$6,990,810	\$9,633,989	\$5,910,099
Support Services	7,548,399	6,872,303	6,009,401	5,504,505
Operation of Non-Instructional Services	298,488	162,862	268,698	110,078
Extracurricular Activities	117,359	78,093	109,029	77,426
Interest and Fiscal Charges	1,425,587	1,425,587	1,462,081	1,462,081
Total Expenses	<u>\$19,504,776</u>	<u>\$15,529,655</u>	<u>\$17,483,198</u>	<u>\$13,064,189</u>

C-TEC's Funds

C-TEC's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies and procedures). All governmental funds had total revenues and other financing sources of \$21,933,686 and expenditures and other financing uses of \$24,876,847.

Total governmental funds fund balance decreased by \$2,943,161. The decrease in fund balance for the year was most significant in the General Fund, a decrease of \$1,374,805 reflecting expenditures for operating costs.

C-TEC should remain stable in fiscal years 2008 through 2010. Projections beyond fiscal year 2010 show C-TEC should be able to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Budget Highlights - General Fund

C-TEC's budget is prepared according to Ohio law and is based on accounting for certain transactions on a cash basis for receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of a fiscal year, C-TEC may amend its General Fund budget several times. C-TEC uses a modified program-based budget technique that is designed to control program budgets while providing building administrators and supervisors flexibility for program management.

C-TEC prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis revenues available from all sources was \$11,929,646 representing an increase of \$463,624 from the original budget basis estimates. For the General Fund, the final budget basis expenditures were \$15,923,804 representing a \$3,915,785 increase from the original budget expenditures of \$12,008,019. The final budget reflected a 7.41 percent increase from the original budgeted amount. The final budget expenditures exceeded the actual expenditures by \$4,167,795 which is the result of construction costs paid for the year were less than expected.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, C-TEC had \$43.3 million invested in capital assets in the governmental activities. These totals carry accumulated depreciation of \$2.1 million. Table 4 shows fiscal year 2007 balances compared to fiscal year 2006.

Table 4
Capital Assets & Accumulated Depreciation at Year End

	Governmental Activities	
	2007	Restated 2006
<i>Nondepreciable Assets:</i>		
Land	\$107,951	\$242,114
Construction in Progress	0	4,544,042
<i>Depreciable Assets:</i>		
Buildings and Improvements	39,333,168	31,460,500
Furniture, Fixtures and Equipment	3,305,336	3,596,851
Vehicles	566,776	620,776
<i>Total Capital Assets</i>	43,313,231	40,464,283

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**CAREER AND TECHNOLOGY EDUCATION CENTERS
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Accumulated Depreciation:

Buildings and Improvements	(852,795)	(141,483)
Furniture and Fixtures	(780,281)	(1,758,409)
Vehicles	(435,850)	(460,856)
	(2,068,926)	(2,360,748)
<i>Total Accumulated Depreciation</i>	(2,068,926)	(2,360,748)
Capital Assets, Net	\$41,244,305	\$38,103,535

More detailed information pertaining to C-TEC's capital asset activity can be found in the notes to the basic financial statements.

Debt Administration

At June 30, 2007, C-TEC had \$32,544,402 in general obligation debt outstanding with \$5,493,146 due within one year. Table 5 summarizes bonds and notes outstanding for fiscal year 2007 compared to fiscal year 2006.

Table 5
Outstanding Debt, Governmental Activities at Year End

Purpose	2007	2006
Energy Conservation Note	\$394,402	\$513,000
General Obligation Bonds	28,450,000	30,335,000
Construction Loan	400,000	433,333
Bond Anticipation Note	3,300,000	0
Total	\$32,544,402	\$31,281,333

More detailed information pertaining to C-TEC's long-term debt activity can be found in the notes to the basic financial statements.

Challenges and Opportunities

The Mission of the Career & Technology Education Center is to promote workforce development by offering leading-edge educational programs that provide all learners with academic and technical skills needed for career opportunities and continuous learning.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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In order to meet the above mission the Center has implemented a continuous improvement plan with the following goals:

- a. Improve the post program placement process
- b. Improve secondary and adult students' writing skills
- c. Improve the process to ensure students earn credentials
- d. Use program assessment data to find and address system-wide issues.

To meet the goals mentioned above, it is imperative the Center's management and staff continue to carefully and prudently plan in order to provide the resources and education required to meet students needs over the next several years.

Although the Center has experienced financial stability over the past several years, fiscal year 2010 will be the last year the Center is projected to end the fiscal year with a positive fund balance in the operating fund. The Board of Education and administrators are cognizant of the issue and are looking at various options from reducing budgets and expenditures to placing a levy on the ballot all before fiscal year 2011 begins. As indicated in the preceding financial information, the Center is dependent on property taxes and state funding. State funding does not increase solely as a result of inflation. Therefore, in the long-term, current programming and staffing levels will be dependent on increased funding from property taxes to meet inflation. Administration continually looks at all aspects of operations to be sure efficiency is being met and careful financial planning will continue to permit the Center to provide a quality education for our students.

The Center is glad to announce the completion of the building and renovating project totaling over 350,000 square foot. This facility is state of the art for the students of Licking County and is able to accommodate over 800 secondary students which allows for approximately a 300 student population growth. The facility also allows for additional programming and more adult education students to be served throughout the day. The Center has already seen an increase of secondary school students since the completion of the Secondary Center facility.

The Center has also been expanding Career Technical Education programming throughout Licking County. The Center is now teaching several Career Technical programs in almost everyone of its Associate Schools.

The Center continually performs reviews on its current program offerings to assure their relevance and performance. Any programs that do not meet enrollment or performance standards will be reviewed by the Board of Education to determine continuance. The Center also reviews the needs of business and industry to look at new programming opportunities to be offered to the students of Licking County.

Contacting C-TEC's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it received. If you have any questions about this report or need additional information contact Cory Thompson, Treasurer/CFO of Career and Technology Education Centers, 150 Price Road, Newark, Ohio 43055.

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**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,915,204
Property Taxes Receivable	9,864,029
Accounts Receivable	292,736
Intergovernmental Receivable	76,188
Accrued Interest Receivable	24,264
Nondepreciable Capital Assets	107,951
Depreciable Capital Assets, net	<u>41,136,354</u>
 <i>Total Assets</i>	 <u>57,416,726</u>
<u>Liabilities:</u>	
Accounts Payable	161,042
Accrued Wages and Benefits	636,299
Contracts Payable	346,229
Intergovernmental Payable	219,506
Accrued Interest Payable	224,466
Retainage Payable	146,493
Deferred Revenue	8,461,328
<i>Long-Term Liabilities:</i>	
Due within One Year	5,686,923
Due in More Than One Year	<u>28,256,339</u>
 <i>Total Liabilities</i>	 <u>44,138,625</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	11,507,181
<i>Restricted for:</i>	
Debt Service	1,062,847
Capital Outlay	1,326,463
Other Purposes	40,364
Unrestricted	<u>(658,753)</u>
 <i>Total Net Assets</i>	 <u><u>\$13,278,102</u></u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
<i>Instruction:</i>				
Regular	\$287,553	\$0	\$1,700	(\$285,853)
Special	486,721	0	199,521	(287,200)
Vocational	7,574,806	191,553	1,341,340	(6,041,913)
Adult/Continuing	1,765,863	888,685	501,334	(375,844)
<i>Support Services:</i>				
Pupils	568,237	5,758	54,761	(507,718)
Instructional Staff	1,652,447	156,827	449,507	(1,046,113)
Board of Education	32,761	298	0	(32,463)
Administration	1,037,935	0	0	(1,037,935)
Fiscal	401,473	0	0	(401,473)
Business	823,925	0	5,630	(818,295)
Operation and Maintenance of Plant	1,883,014	0	0	(1,883,014)
Pupil Transportation	42,031	0	0	(42,031)
Central	1,106,576	0	3,315	(1,103,261)
<i>Operation of Non-Instructional Services:</i>				
Food Services	266,208	134,366	0	(131,842)
Other	32,280	0	1,260	(31,020)
Extracurricular Activities	117,359	39,266	0	(78,093)
Interest and Fiscal Charges	1,425,587	0	0	(1,425,587)
Total Governmental Activities	\$19,504,776	\$1,416,753	\$2,558,368	(\$15,529,655)

General Revenues:

Property Taxes Levied for:

General Purposes	6,940,520
Debt Service	3,469,739
Grants and Entitlements not Restricted to Specific Programs	3,602,408
Investment Earnings	464,908
Miscellaneous	58,832

Total General Revenues 14,536,407

Change in Net Assets (993,248)

Net Assets at Beginning of Year, As Restated (See Note 3) 14,271,350

Net Assets at End of Year \$13,278,102

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Adult Education	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>						
Equity in Pooled Cash and Cash Equivalents	\$2,528,911	\$20,604	\$1,315,473	\$1,819,185	\$231,031	\$5,915,204
Property Taxes Receivable	6,576,019	0	3,288,010	0	0	9,864,029
Accounts Receivable	0	292,736	0	0	0	292,736
Intergovernmental Receivable	0	0	0	0	76,188	76,188
Accrued Interest Receivable	24,264	0	0	0	0	24,264
Interfund Receivable	363,761	0	0	0	0	363,761
Total Assets	\$9,492,955	\$313,340	\$4,603,483	\$1,819,185	\$307,219	\$16,536,182
<u>Liabilities and Fund Balances:</u>						
<u>Liabilities:</u>						
Accounts Payable	\$124,175	\$12,362	\$0	\$0	\$24,505	\$161,042
Accrued Wages and Benefits	632,171	740	0	0	3,388	636,299
Contracts Payable	0	0	0	145,469	200,760	346,229
Intergovernmental Payable	188,689	21,734	0	0	9,083	219,506
Retainage Payable	0	0	0	146,493	0	146,493
Interfund Payable	0	290,415	0	0	73,346	363,761
Deferred Revenue	5,960,897	0	2,980,449	0	76,188	9,017,534
Total Liabilities	6,905,932	325,251	2,980,449	291,962	387,270	10,890,864
<u>Fund Balances:</u>						
Reserved for Encumbrances	270,316	4,882	0	81,918	24,144	381,260
Reserved for Property Taxes	615,122	0	307,561	0	0	922,683
<i>Unreserved, Undesignated, Reported in:</i>						
General Fund	1,701,585	0	0	0	0	1,701,585
Special Revenue Funds	0	(16,793)	0	0	96,465	79,672
Debt Service Fund	0	0	1,315,473	0	0	1,315,473
Capital Projects Funds	0	0	0	1,445,305	(200,660)	1,244,645
Total Fund Balances	2,587,023	(11,911)	1,623,034	1,527,223	(80,051)	5,645,318
Total Liabilities and Fund Balances	\$9,492,955	\$313,340	\$4,603,483	\$1,819,185	\$307,219	\$16,536,182

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Funds Balances		\$5,645,318
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		41,244,305
Some of C-TEC's receivables will be collected after fiscal year-end. However, they are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:		
Property taxes	480,018	
Intergovernmental	<u>76,188</u>	
Total receivables that are deferred in the funds		556,206
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Energy conservation note	(394,402)	
General obligation bonds	(28,450,000)	
Construction loan	(400,000)	
Bond Anticipation Note	(3,300,000)	
Premium on bonds issued	(575,730)	
Accrued interest on notes and bonds	(224,465)	
Compensated absences	<u>(823,130)</u>	
Total liabilities that are not reported in the funds		<u>(34,167,727)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$13,278,102</u></u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General	Adult Education	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$6,916,195	\$0	\$3,458,010	\$0	\$0	\$10,374,205
Intergovernmental	4,660,649	407,527	344,917	0	733,716	6,146,809
Interest	239,098	0	0	217,240	8,570	464,908
Tuition and Fees	17,402	1,045,512	0	0	75,104	1,138,018
Rent	0	0	0	0	5,056	5,056
Extracurricular Activities	0	0	0	0	39,266	39,266
Gifts and Donations	0	0	0	0	18,048	18,048
Charges for Services	20,000	0	0	0	214,413	234,413
Miscellaneous	24,404	35,724	0	3,721	234	64,083
Total Revenues	11,877,748	1,488,763	3,802,927	220,961	1,094,407	18,484,806
Expenditures:						
<i>Current:</i>						
<i>Instruction:</i>						
Regular	199,390	0	0	0	3,514	202,904
Special	482,828	0	0	0	0	482,828
Vocational	5,856,804	0	0	0	314,564	6,171,368
Adult/Continuing	38,510	1,363,437	0	0	163,772	1,565,719
<i>Support Services:</i>						
Pupils	519,126	0	0	0	49,441	568,567
Instructional Staff	885,698	253,869	0	0	388,724	1,528,291
Board of Education	27,995	0	0	0	0	27,995
Administration	1,027,567	0	350	0	7,005	1,034,922
Fiscal	394,270	0	0	0	0	394,270
Business	629,269	0	58,748	0	5,000	693,017
Operation and Maintenance of Plant	1,858,181	2,812	0	0	0	1,860,993
Pupil Transportation	20,809	0	0	0	0	20,809
Central	599,571	0	0	470,945	8,451	1,078,967
Operation of Non-Instructional Services	27,452	0	0	0	267,505	294,957
Extracurricular Activities	79,561	0	0	0	37,798	117,359
Capital Outlay	288,941	0	0	2,515,104	2,387,589	5,191,634
<i>Debt Service:</i>						
Principal Retirement	151,932	0	1,885,000	0	0	2,036,932
Interest and Fiscal Charges	23,774	0	1,436,661	0	0	1,460,435
Total Expenditures	13,111,678	1,620,118	3,380,759	2,986,049	3,633,363	24,731,967
Excess of Revenues Over (Under) Expenditures	(1,233,930)	(131,355)	422,168	(2,765,088)	(2,538,956)	(6,247,161)
Other Financing Sources (Uses):						
Proceeds from the Sale of Capital Assets	4,000	0	0	0	0	4,000
Transfers In	0	0	0	0	144,880	144,880
Transfers Out	(144,875)	0	0	0	(5)	(144,880)
Notes Issued	0	0	0	3,300,000	0	3,300,000
Total Other Financing Sources (Uses)	(140,875)	0	0	3,300,000	144,875	3,304,000
Net Change in Fund Balances	(1,374,805)	(131,355)	422,168	534,912	(2,394,081)	(2,943,161)
Fund Balances at Beginning of Year, As Restated	3,961,828	119,444	1,200,866	992,311	2,314,030	8,588,479
Fund Balances at End of Year	\$2,587,023	(\$11,911)	\$1,623,034	\$1,527,223	(\$80,051)	\$5,645,318

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDEITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds		(\$2,943,161)
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 outlays exceeded depreciation in the current period.	3,233,766	
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(92,996)	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:		
Property taxes	36,053	
Intergovernmental	<u>(9,332)</u>	
Total revenues not reported in the funds		26,721
Repayment of note, bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		2,036,932
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		982
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from bond anticipation notes.		(3,300,000)
Some items 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. These activities consist of:		
Increase in compensated absences payable	10,641	
Amortization of bond premium	<u>33,867</u>	
Total expenditures not reported in the funds		<u>44,508</u>
<i>Change in Net Assets of Governmental Activities</i>		<u><u>(\$993,248)</u></u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FFOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$6,407,494	\$6,821,973	\$6,821,973	\$0
Intergovernmental	4,496,304	4,660,649	4,660,649	0
Interest	147,244	188,944	214,834	25,890
Tuition and Fees	15,873	17,402	17,402	0
Charges for Services	0	20,000	20,000	0
Contributions and Donations	2,760	0	0	0
Miscellaneous	31,040	10,341	24,404	14,063
<i>Total Revenues</i>	<u>11,100,715</u>	<u>11,719,309</u>	<u>11,759,262</u>	<u>39,953</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	140,514	252,136	224,847	27,289
Special	279,011	427,971	494,156	(66,185)
Vocational	4,031,065	5,227,235	5,988,991	(761,756)
Adult/Continuing	19,209	30,777	39,733	(8,956)
<i>Support Services:</i>				
Pupils	390,214	575,474	526,968	48,506
Instructional Staff	637,996	791,288	931,373	(140,085)
Board of Education	16,201	25,294	28,240	(2,946)
Administration	686,030	883,068	1,069,755	(186,687)
Fiscal	3,385,794	4,216,945	412,995	3,803,950
Business	454,621	580,998	640,241	(59,243)
Operation and Maintenance of Plant	1,355,330	1,753,426	1,990,007	(236,581)
Pupil Transportation	15,551	18,741	22,267	(3,526)
Central	402,134	637,988	655,473	(17,485)
Operation of Non-Instructional Services	16,118	24,342	33,811	(9,469)
Extracurricular Activities	49,015	61,541	73,234	(11,693)
Capital Outlay	1,531	259,083	289,035	(29,952)
<i>Debt Service:</i>				
Principal Retirement	110,311	136,187	151,932	(15,745)
Interest and Fiscal Charges	17,374	21,310	23,774	(2,464)
<i>Total Expenditures</i>	<u>12,008,019</u>	<u>15,923,804</u>	<u>13,596,832</u>	<u>2,326,972</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(907,304)</u>	<u>(4,204,495)</u>	<u>(1,837,570)</u>	<u>2,366,925</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from the Sale of Capital Assets	0	4,000	4,000	0
Advances In	365,307	206,337	206,337	0
Advances Out	0	0	(363,761)	(363,761)
Transfers Out	0	0	(144,875)	(144,875)
<i>Total Other Financing Sources (Uses)</i>	<u>365,307</u>	<u>210,337</u>	<u>(298,299)</u>	<u>(508,636)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(541,997)</u>	<u>(3,994,158)</u>	<u>(2,135,869)</u>	<u>1,858,289</u>
<i>Fund Balance at Beginning of Year</i>	3,763,106	3,763,106	3,763,106	0
Prior Year Encumbrances Appropriated	545,326	545,326	545,326	0
<i>Fund Balance at End of Year</i>	<u>\$3,766,435</u>	<u>\$314,274</u>	<u>\$2,172,563</u>	<u>\$1,858,289</u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
ADULT EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental	\$381,490	\$381,490	\$407,527	\$26,037
Tuition and Fees	1,055,854	1,070,871	1,047,383	(23,488)
Miscellaneous	24,186	24,186	35,724	11,538
<i>Total Revenues</i>	<u>1,461,530</u>	<u>1,476,547</u>	<u>1,490,634</u>	<u>14,087</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Adult/Continuing	1,300,635	1,484,634	1,457,341	27,293
<i>Support Services:</i>				
Pupils	3,547	3,547	0	3,547
Instructional Staff	204,316	365,515	243,399	122,116
Operation and Maintenance of Plant	0	0	3,000	(3,000)
<i>Total Expenditures</i>	<u>1,508,498</u>	<u>1,853,696</u>	<u>1,703,740</u>	<u>149,956</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(46,968)</u>	<u>(377,149)</u>	<u>(213,106)</u>	<u>164,043</u>
<u>Other Financing Sources (Uses):</u>				
Advances In	115,505	466,505	290,415	(176,090)
Advances Out	(115,505)	(115,505)	(115,505)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>351,000</u>	<u>174,910</u>	<u>(176,090)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(46,968)</u>	<u>(26,149)</u>	<u>(38,196)</u>	<u>(12,047)</u>
<i>Fund Balance at Beginning of Year</i>	23,844	23,844	23,844	0
Prior Year Encumbrances Appropriated	23,329	23,329	23,329	0
<i>Fund Balance at End of Year</i>	<u>\$205</u>	<u>\$21,024</u>	<u>\$8,977</u>	<u>(\$12,047)</u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$68,926	\$1,197,244
<u>Liabilities:</u>		
Accounts Payable	\$0	\$53,278
Compensated Absences Payable	0	37,955
Due to Students	0	52,041
Undistributed Monies	0	1,053,970
<i>Total Liabilities</i>	0	\$1,197,244
<u>Net Assets:</u>		
<i>Held in Trust for:</i>		
Scholarships	68,926	
<i>Total Net Assets</i>	\$68,926	

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Gifts and Contributions	\$5,351
Interest	<u>1,380</u>
<i>Total Additions</i>	<u>6,731</u>
<u>Deductions:</u>	
Payments in Accordance with Trust Agreements	<u>9,166</u>
<i>Change in Net Assets</i>	(2,435)
<i>Net Assets at Beginning of Year</i>	<u>71,361</u>
<i>Net Assets at End of Year</i>	<u><u>\$68,926</u></u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Career and Technology Education Centers of Licking County (C-TEC) is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

A vocational school exposes students to job training leading to employment upon graduation from high school. C-TEC has ten participating districts spread throughout Licking, Delaware, Fairfield, Franklin, Muskingum and Knox Counties, which include two city school districts, seven local school districts and one exempted village school district.

C-TEC operates under a seven-member Board of Education and is responsible for the provision of public education to residents of C-TEC. The Board of Education of C-TEC is not directly elected. The Board is made up from members of the elected boards of the participating school districts and the Licking County Educational Service Center. C-TEC is staffed by 61 non-certificated employees and 114 certificated full-time teaching personnel who provide services to 1,405 students and other community members. C-TEC currently operates 4 buildings.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of C-TEC consists of all funds, departments, boards, and agencies that are not legally separate from C-TEC. For C-TEC, this includes general operations, student guidance, education media care, upkeep of grounds and buildings, food service, student related activities and adult education of C-TEC.

Component units are legally separate organizations for which C-TEC is financially accountable. C-TEC is financially accountable for an organization if C-TEC appoints a voting majority of the organization's governing board and (1) C-TEC is able to significantly influence the programs or services performed or provided by the organization; or (2) C-TEC is legally entitled to or can otherwise access the organization's resources; C-TEC is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or C-TEC is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on C-TEC in that C-TEC approves the budget, the issuance of debt, or the levying of taxes. C-TEC has no component units.

C-TEC is associated with two organizations, one of which is defined as a jointly governed organization and one as an insurance purchasing pool. These organizations are the Licking Area Computer Association and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

C-TEC serves as the fiscal agent for the Licking Area Computer Association, but the organization is not considered a part of C-TEC. Accordingly, the activity of the organization is presented as an agency fund within C-TEC's basic financial statement.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of C-TEC 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 more significant of C-TEC's accounting policies are described below.

A. Basis of Presentation

C-TEC's basic financial statement consists of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about C-TEC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of C-TEC that are governmental and those that are considered business-type activities. C-TEC has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of C-TEC at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of C-TEC'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. Revenues which are not classified as program revenues are presented as general revenues of C-TEC, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of C-TEC.

Fund Financial Statements

During the year, C-TEC segregates transactions related to certain District 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 C-TEC at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

C-TEC uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The funds of C-TEC fall within two categories: governmental and fiduciary.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

Governmental Funds

Governmental funds are those through which most governmental functions of C-TEC are financed. Governmental funds focus 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 C-TEC's major governmental funds:

General Fund- This fund is the operating fund of C-TEC and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund is available to C-TEC for any purpose provided it is expended or transferred according to the general laws of Ohio.

Adult Education Fund- This fund is used to account for transactions made in connection with adult education classes.

Bond Retirement Fund- This fund is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

Building Fund- This fund is used to account for the revenues and expenditures related to all special bond funds in C-TEC, including the proceeds from the sale of the bonds. Expenditures of the fund represent the costs of acquiring capital facilities including real property.

The other governmental funds of C-TEC account for grants and other resources of C-TEC whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by C-TEC under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support C-TEC's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. C-TEC's fiduciary funds are agency funds. C-TEC's agency funds are used to account for assets held for PELL grants, the Licking Area Computer Association for which C-TEC serves as fiscal agent, and student managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of C-TEC 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.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

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 balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified 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 Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources are collectible 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 C-TEC, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which C-TEC receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). 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 year when use is first permitted; matching requirements, in which C-TEC must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to C-TEC on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

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

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, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On 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 the governmental funds.

E. Budgetary Process

All funds, except the agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. C-TEC's Treasurer has been authorized by the Board to allocate appropriations to the function and object level within the fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by C-TEC's Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflects the amounts in the final amended certificate issued during fiscal year 2007.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during fiscal year 2007.

F. Cash and Cash Equivalents

To improve cash management, cash received by C-TEC is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through C-TEC's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During the fiscal year 2007, C-TEC's investments were limited to the U.S. government securities and repurchase agreements. Except for repurchase agreements which are reported at cost, investments are reported at fair value which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$239,098, which includes \$66,060 assigned from other funds of C-TEC.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by C-TEC are presented on the financial statements as Equity in Pooled Cash and cash equivalents.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Capital Assets

All capital assets of C-TEC 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.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. C-TEC's capitalization threshold is five thousand dollars. C-TEC does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for governmental:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Improvements	20 - 100 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	8 years

I. Interfund Balances

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

J. Compensated Absences

C-TEC reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences" as interpreted by Interpretation No. 6 of the GASB, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those C-TEC has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in C-TEC's termination policy. C-TEC records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 10 years of service with C-TEC.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

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

Compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

K. Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities and long-term liabilities 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 of 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 in the current year. Bonds, loans and long-term notes are recognized as a liability on the fund financial statements when due.

L. Net Assets

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

C-TEC first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. C-TEC has a balance of \$2,429,674 for restricted net assets, of which none is restricted by enabling legislation.

M. Fund Balance Reserves

C-TEC reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and property taxes.

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

N. Interfund Transactions

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 to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and eliminated on the Government Wide Statements.. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Estimates

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

NOTE 3 – PRIOR PERIOD ADJUSTMENT

During fiscal year 2007, C-TEC decided to reclassify the Adult Education and Rotary enterprise funds (full accrual basis of accounting) as special revenue funds (modified basis of accounting) due to the funds meeting the definition of a special revenue fund. It was found that the assets in the previous year for the Building capital project fund was understated. It was also determined that the value and accumulated depreciation for buildings and improvements were overstated in prior years, which resulted in the capital assets and net assets being overstated as of June 30, 2006. These restatements had the following effects on fund balances as they were previously reported.

	General	Adult Education	Bond Retirement
Fund Balance at June 30, 2006	\$3,961,828	\$0	\$1,200,866
Fund Reclassification	0	119,444	0
Restated Fund Balance at July 1, 2006	\$3,961,828	\$119,444	\$1,200,866

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 3 – PRIOR PERIOD ADJUSTMENT - (Continued)

	Building	Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2006	\$714,796	\$2,166,597	\$8,044,087
Fund Reclassification	0	147,433	266,877
Increase in Assets	277,515	0	277,515
Restated Fund Balance at July 1, 2006	\$992,311	\$2,314,030	\$8,588,479

These restatements had the following effects on net assets as they were previously reported:

	Adult Education	Other Enterprise Funds	Total Enterprise Funds
Net Assets at June 30, 2006	\$263,418	\$147,433	\$410,851
Fund Reclassification	(263,418)	(147,433)	(410,851)
Restated Net Assets at July 1, 2006	\$0	\$0	\$0

	Governmental Activities	Business- Type Activities	Total
Net Assets at June 30, 2006	\$14,939,891	\$410,851	\$15,350,742
Fund Reclassification	410,851	(410,851)	0
Increase in Assets	277,515	0	277,515
Decrease in Capital Assets	(1,356,907)	0	(1,356,907)
Restated Net Assets at July 1, 2006	\$14,271,350	\$0	\$14,271,350

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 4 – ACCOUNTABILITY & COMPLIANCE

A. Accountability

The following funds had deficit fund balances/net assets as of June 30, 2007:

<i>Major Special Revenue Fund:</i>	
Adult Education Fund	\$11,911
<i>Nonmajor Special Revenue Funds:</i>	
Post Secondary Vocational Education	2,040
Networking Tech Prep FY01	1,823
Miscellaneous State Grants	2,499
Adult Basic Education	8,671
Vocational Education	27,484
Reducing Class Size	3,885
ABE/JOBS FY '93	7,334
<i>Nonmajor Capital Project Fund:</i>	
Permanent Improvement Fund	200,760

The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis at June 30, 2007.

B. Compliance

Contrary to Ohio Revised Code Section 5705.41(D) the Center did not always certify that the amount required to meet a commitment was lawfully appropriated and in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance for a portion of their 2007 expenditures.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While C-TEC 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 and described earlier 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 and actual (budget basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified accrual GAAP basis are that:

1. Revenues and Other Financing Sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and Other Financing Uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and Adult Education Fund.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses/Net Change in Fund Balance	General	Adult Education
Budget Basis	(\$2,135,869)	(\$38,196)
<i>Adjustments:</i>		
Revenue Accruals	118,486	(1,871)
Expenditure Accruals	128,803	71,990
Encumbrances	356,351	11,632
Other Sources (Uses)	157,424	(174,910)
GAAP Basis	(\$1,374,805)	(\$131,355)

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by C-TEC into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in C-TEC's 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys 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 accounts including passbook accounts.

Protection of C-TEC'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 money deposited with the institution.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the fair 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 fair value 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 acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating 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 C-TEC, 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements", and GASB Statement No. 40, "Deposit and Investment Risk Disclosure."

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)

At fiscal year end, C-TEC had \$4,100 in undeposited cash on hand which is included on the financial statements as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

At June 30, 2007, the carrying amount of C-TEC's deposits was \$4,169, exclusive of the \$1,935,757 overnight repurchase agreement included as an investment below. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2007, \$35,353 of C-TEC's bank balance of \$231,194 was exposed to custodial risk as discussed above while \$195,841 was covered by Federal Deposit Insurance. The \$35,353 exposed to custodial risk was collateralized with securities held by C-TEC or its agency in C-TEC's name.

Investments: As of June 30, 2007, the C-TEC had the following investments and maturities:

Investment Type	Percent of Total	Fair Value	One Year or Less	One to Two Years	Two to Three Years
STAR Ohio	47.99%	\$3,442,315	\$3,442,315	\$0	\$0
U.S. Government Securities	25.02%	1,795,033	0	395,559	1,495,315
Repurchase Agreements	26.99%	1,935,757	1,935,757	0	0
Totals	100%	\$7,173,105	\$5,378,072	\$395,559	\$1,495,315

Repurchase Agreements: Repurchase agreements must be secured by the specific government securities which the repurchase agreements are based. These securities must be obligations of, or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement.

Interest Rate Risk: C-TEC's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which he/she does not reasonably believe can be held until the maturity date. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of C-TEC, and that an investment must be purchased with the expectation that it will be held to maturity. The stated intent of the policy is to avoid the need to sell securities prior to maturity

Credit Risk: Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Standard and Poor's has assigned STAR Ohio an "AAAm" rating. The Federal National Mortgage Corporation Discount Notes and Federal Home Loan Bank Discount Bonds carry a rating of A-1+ by Standard and Poor's. C-TEC has no investment policy that would further limit its investment choices.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)

Concentration of Credit Risk: Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party cause by the lack of diversification. C-TEC places no limit on the amount in may invest in any one issuer. C-TEC's exposure to concentration risk is noted in the preceding table.

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, C-TEC will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The Federal National Mortgage Corporation Discount Notes and Federal Home Loan Bank Discount Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counter party's trust department or agent but not in C-TEC's name. C-TEC 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.

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB No. 9. A reconciliation between the classifications of cash and investments on the financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$7,181,374	\$0
Cash on Hand	(4,100)	0
<i>Investments:</i>		
STAR Ohio	(3,442,315)	3,442,315
U.S. Government Securities	(1,795,033)	1,795,033
Repurchase Agreements	(1,935,757)	1,935,757
GASB Statement No. 3	\$4,169	7,173,105

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within C-TEC's boundaries. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property is required to be revalued every six years. The last reappraisal was completed for Licking County in tax year 1999 and for Knox County in tax year 2002. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are 25 percent of true value of fixed assets and 24 percent of true value of inventory.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 7 - PROPERTY TAXES – (Continued)

Real property taxes are paid by taxpayers annually or semi-annually. If paid annually, payment is due December 31, unless extended; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20, unless extended. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

C-TEC receives property taxes from both Licking County and Knox County. The County Auditor from each county periodically advances to C-TEC its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007 are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the June 2007 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2007. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2007 was \$922,683 recognized as revenue. Of this total amount, \$615,122 available to the General Fund and \$307,561 was available to the Bond Retirement Fund.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$3,337,176,56 0	89.86%	\$3,466,857,490	92.68%
Public Utility Personal	128,934,100	3.47%	127,903,050	3.42%
Tangible Personal Property	247,416,018	6.67%	145,846,663	3.90%
Total Assessed Value	\$3,713,526,67 8	100.00%	\$3,740,607,203	100.00%
Tax rate per \$1,000 of assessed valuation	\$3.00		\$3.00	

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 8 - RECEIVABLES

Receivables at June 30, 2007 consisted of property taxes, accounts (student fees), interfund, interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	
<i>Nonmajor Special Revenue Funds:</i>	
Post Secondary Vocational Education	\$2,957
Miscellaneous State Grants	4,500
Adult Basic Education	12,285
Vocational Education	40,947
Reducing Class Size	4,699
ABE/JOBS	10,800
Total	<u><u>\$76,188</u></u>

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 9 - CAPITAL ASSETS

Capital asset governmental activity for the fiscal year ended June 30, 2007 was as follows:

Asset Category	Restated Balance at July 1, 2006	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2007
Governmental Activities				
<i>Nondepreciable Capital Assets:</i>				
Land	\$242,114	\$0	(\$134,163)	\$107,951
Construction in Progress	4,544,042	0	(4,544,042)	0
Total Nondepreciable Capital Assets	4,786,156	0	(4,678,205)	107,951
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	31,460,500	7,872,668	0	39,333,168
Furniture, Fixtures and Equipment	3,596,851	796,090	(1,087,605)	3,305,336
Vehicles	620,776	0	(54,000)	566,776
Total Depreciable Capital Assets	35,678,127	8,668,758	(1,141,605)	43,205,280
Total Capital Assets	40,464,283	8,668,758	(5,819,810)	43,313,231
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(141,483)	(724,512)	13,200	(852,795)
Furniture, Fixtures and Equipment	(1,758,409)	(142,844)	1,120,972	(780,281)
Vehicles	(460,856)	(23,594)	48,600	(435,850)
Total Accumulated Depreciation	(2,360,748)	(890,950)	1,182,772	(2,068,926)
Governmental Activities Capital Assets, Net	<u>\$38,103,535</u>	<u>\$7,777,808</u>	<u>(\$4,637,038)</u>	<u>\$41,244,305</u>

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

Governmental Activities

Instruction:

Regular	\$84,933
Vocational	248,664
Adult/Continuing	199,890
<i>Support Services:</i>	
Pupils	2,925
Instructional Staff	135,935
Board of Education	4,766
Administration	4,624
Fiscal	11,561
Business	130,908
Operation and Maintenance of Plant	19,715
Pupil Transportation	21,222
Central	25,807
	\$890,950
Governmental Activities Depreciation Expense	\$890,950

NOTE 10 - RISK MANAGEMENT

C-TEC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2007, C-TEC contracted with Harcum-Hyre Insurance for property insurance, fleet insurance and liability insurance. Coverages provided are as follows:

Building and Contents - replacement cost (100% co-insurance)	\$35,263,100
Automobile Liability (\$1,000 deductible for collision and comprehensive)	1,000,000
Uninsured Motorists (\$500 deductible for collision and comprehensive) Each Accident	1,000,000
<i>General Liability:</i>	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 10 - RISK MANAGEMENT – (Continued)

In addition to the above, the new building project was covered by an insurance policy that paralleled the cost of constructing the building.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2007, C-TEC participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 19). The intent of the Plan is to achieve the benefit of a reduced premium for C-TEC by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan. 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 Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

C-TEC contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800)878-5853 or by visiting the SERS website at www.OHSERS.org.

Plan members are required to contribute 10 percent of their annual covered salary and C-TEC is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of C-TEC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.58 percent of the annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. C-TEC's contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$392,535, \$385,092 and \$305,317, respectively; 55.35 percent has been contributed for fiscal year 2007 and 100 percent for the fiscal years 2006 and 2005. \$175,284 representing the unpaid contribution for fiscal year 2007, is recorded as a liability.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

State Teachers Retirement System

C-TEC contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090, 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 member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits were established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10 percent of their annual covered salary. C-TEC is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. C-TEC's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$867,248, \$885,629, and \$777,352, respectively; 92.22 percent has been contributed for fiscal year 2007 and 100 percent for the fiscal years 2006 and 2005. \$67,470 representing the unpaid contribution for fiscal year 2007, is recorded as a liability. Contributions to the DC and Combined Plans for fiscal year 2007 were \$29,103 made by C-TEC and \$29,653 made by the plan members.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2007, no members of the Board of Education have elected Social Security.

NOTE 12 - POSTEMPLOYMENT BENEFITS

C-TEC provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both Systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For C-TEC, this amount equaled \$66,711 during fiscal year 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information year available), the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and there were 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivorship benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay has been established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS – (Continued)

The target level for the health care reserve is 150 percent of annual health care expenses. For fiscal year ended June 30, 2006 (latest information available), expenses for health care were \$158,751,207 and the target level was \$238.2 million. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. The number of participants currently receiving health care benefits is approximately 59,492. For C-TEC, the amount to fund health care benefits, including the surcharge, equaled \$126,887 during the 2007 fiscal year.

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components 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. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 235 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 56.25 days for all employees. C-TEC also credits one day for every year of experience, beyond ten years, with C-TEC.

Insurance Benefits

Medical and prescription drug insurance is offered to employees through Medical Mutual of Ohio. Dental insurance coverage is provided through Core Source, Inc. and vision insurance is provided by C-TEC through Vision Services Plus (VSP), Inc. The employees share the cost of the monthly premium with the Board, which varies with employees depending on the terms of the union contract.

C-TEC provides life insurance and accidental death and dismemberment insurance to all employees through Conseco Variable Insurance Company, in the amount of \$50,000 for all employees.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 14 - LONG-TERM LIABILITIES

The changes in C-TEC's long-term liabilities during fiscal year 2007 were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2006	Additions	Deletions	Principal Outstanding at June 30, 2007	Amount Due in One Year
<u>Governmental Activities:</u>							
Energy Conservation Note	1999	5.24%	\$513,000	\$0	\$118,598	\$394,402	\$124,813
General Obligation Bonds	2002	2.00 - 5.375%	30,335,000	0	1,885,000	28,450,000	2,035,000
Construction Loan	2005	0.00%	433,334	0	33,334	400,000	33,333
Bond Anticipation Note	2007	4.50%	0	3,300,000	0	3,300,000	3,300,000
<i>Add Deferred Amounts:</i>							
Issuance Premium on Bonds		N/A	609,596	0	33,866	575,730	33,866
Compensated Absences	N/A	N/A	833,771	360,927	371,568	823,130	159,911
Total Governmental Activities Long-Term Liabilities			<u>\$32,724,701</u>	<u>\$3,660,927</u>	<u>\$2,442,366</u>	<u>\$33,943,262</u>	<u>\$5,686,923</u>

Energy Conservation Note - On October 15, 1999, C-TEC issued an unvoted general obligation note for the purpose of installing energy conservation improvements under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The note was issued for a ten year period with final maturity during fiscal year 2010. This debt is retired through the General Fund through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 14 - LONG-TERM LIABILITIES – (Continued)

General Obligation Bonds - In December 2002, C-TEC issued voted general obligation bonds for the purpose of constructing a new instructional building and renovating existing facilities. The bonds were issued for a twenty-one year period with final maturity at December 1, 2023. The proceeds from the sale of these bonds were recorded in the Building Fund. These bonds are retired through the Bond Retirement Fund using tax revenues.

Construction Loan - On May 27, 2004, C-TEC received a construction loan in the amount of \$500,000, for the purpose of paying general expenses incurred due to the construction of the new facility. The loan was issued for a fifteen year period with final maturity at July 1, 2019. This debt will be retired through the General Fund using general tax revenues.

Bond Anticipation Note - In September 2006, C-TEC had a bond anticipation note in the amount of \$3,300,000, for the purpose of paying general expenses relating to the construction of the new facility. This note was due to mature in September 2007 and was refinanced for the full amount into a new note with a final maturity of September 2008.

The compensated absences are paid from the fund from which the respective employees' salaries are paid. Most of C-TEC's employees of the governmental activities are paid from the General and Adult Education Funds.

C-TEC's overall legal debt margin was \$308,204,648, with an unvoted debt margin of \$3,340,607 and an energy conservation debt margin of \$33,271,063 at June 30, 2007.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 14 - LONG-TERM LIABILITIES – (Continued)

Principal and interest requirements to retire the energy conservation note, general obligation bonds, construction loan and bond anticipation notes outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	Energy Conservatio n Note	General Obligation Bonds	Constructio n Loan	Bond Anticipation Note	Total
2008	\$142,210	\$3,397,224	\$33,333	\$0	\$3,572,767
2009	142,038	3,495,349	33,333	3,448,088	7,118,808
2010	141,858	1,897,279	33,333	0	2,072,470
2011	0	1,950,791	33,334	0	1,984,125
2012	0	2,009,434	33,333	0	2,042,767
2013-2017	0	10,998,413	166,667	0	11,165,080
2018-2022	0	12,804,077	66,667	0	12,870,744
2023-2025	0	5,724,575	0	0	5,724,575
Total Debt Payments	426,106	42,277,142	400,000	3,448,088	46,551,336
Less: Interest	31,704	13,827,142	0	148,088	14,006,934
Total Principal	<u>\$394,402</u>	<u>\$28,450,000</u>	<u>\$400,000</u>	<u>\$3,300,000</u>	<u>\$32,544,402</u>

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 2007, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$363,761	\$0
Adult Education	0	290,415
<i>Nonmajor Special Revenue Funds:</i>		
District Managed Activities	0	1,020
Post-Secondary Vocational Education	0	2,583
Miscellaneous State Grants	0	4,500
Adult Basic Education	0	8,769
Vocational Education	0	40,947
Reducing Class Size	0	4,699
ABE/JOBS	0	10,828
Total Nonmajor Special Revenue Fund	0	73,346
Total	\$363,761	\$363,761

All the interfund balances resulted from the time lag between the dates that loans between funds are received and payments between funds are made.

As of June 30, 2007, C-TEC had interfund transactions as follows:

Transfers From	Transfers To
	Nonmajor Special Revenue Funds
General	\$144,875

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 16 - STATUTORY SET-ASIDES

The following changes occurred in C-TEC's set-aside reserve accounts during fiscal year 2007:

	Textbooks	Capital Improvements	Totals
Set-Aside Reserve Balance as of July 1, 2006	(\$1,346,422)	(\$30,658,546)	(\$32,004,968)
Current Year Set-Aside Requirement	110,139	110,139	220,278
Qualifying Disbursements	(842,977)	(4,494,265)	(5,337,242)
Totals	(2,079,260)	(35,042,672)	(37,121,932)
Set-Aside Balance Carried Forward to Future Fiscal Years	(\$2,079,260)	(\$35,042,672)	(\$37,121,932)
Set-Aside Reserve Balance as of June 30, 2007	\$0	\$0	\$0

C-TEC had qualifying disbursements during the year that exceeded the current year set-aside requirements in both the textbook and capital improvement reserve accounts, the excesses in both the textbook and capital acquisition reserve accounts can be carried forward to offset future years' set-aside requirements.

NOTE 17 - CONTRACTUAL COMMITMENTS

As of June 30, 2007, C-TEC had contractual commitments related to the construction of new facilities. The amount for each contractor is as follows:

Contractor	Purchase Commitments	Amounts Paid as of June 30, 2007	Amounts Remaining on Contracts
Robertson Construction Inc.	\$4,186,205	\$3,975,445	\$210,760
General Temperature Control, Inc.	2,861,248	2,804,800	56,448
Gutridge Plumbing, Inc.	5,731,994	5,585,788	146,206
Total	\$12,779,447	\$12,366,033	\$413,414

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

Licking Area Computer Association (LACA)

Licking Area Computer Association is a jointly governed organization created as a regional council of governments pursuant to State statutes. LACA has thirteen participants consisting of 12 school districts and one county educational service center. LACA was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to administrative and instructional functions among member districts. LACA is governed by a board of directors consisting of the superintendent or his/her designee from each of the participating members. Each member has one vote in all matters, and each member's control over budgeting and financing of LACA is limited to its voting authority and any representation it may have on the governing board. Each member pays a fee annually for services provided by LACA. C-TEC has an equity interest that is explicit and not measurable in that the governing agreements stipulates that the participants will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions and likewise shall participate in proceeds from the sale of assets upon liquidation. LACA is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit or burden on members in the future.

C-TEC is the fiscal agent for LACA. Financial statements for LACA can be obtained from Career and Technology Education Centers of Licking County administrative offices at 150 Price Road, Newark, Ohio 43055. C-TEC made payments of \$44,612 to LACA in fiscal year 2007.

NOTE 19 - INSURANCE PURCHASING POOL

Ohio School Boards Association Worker's Compensation Group Rating Plan

C-TEC participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 20 - CONTINGENCIES

Grants

C-TEC 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of C-TEC at June 30, 2007.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 21 – LITIGATION

The District is in the final stages of an addition and renovation construction project at its Newark, Ohio campus. During the course of the construction project, the District terminated its contract with their general trades contractor. The Contractor has brought suit against the District, and the District has filed a counter claim, and has also filed a complaint against The Contractor's bonding company, Ohio Farmer's Insurance Company.

The final outcome of this litigation cannot be determined at this time.

NOTE 22 – SUBSEQUENT EVENT

In September 2007, C-Tec refinanced a bond anticipation note in the amount of \$3,300,000, which has a maturity date of September 2008.

CAREER AND TECHNOLOGY EDUCATION CENTERS

LICKING COUNTY

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Direct:</i>				
Federal Pell Grant Program	N/A	84.063	\$ 125,549	\$ 126,184
<i>Passed Through Ohio Department of Education:</i>				
Adult Education- State Grant Program (IDEA Part B)	AB-S1-2006 AB-S1-2007 AB-S2-2006 AB-S2-2007	84.002	29,320 115,836 5,781 28,677	4,886 188,226 2,185 30,295
Total Adult Education- State Grant Program			<u>179,614</u>	<u>225,592</u>
Vocational Education- Basic Grants to States	20-A0-2005 20-A5-2006 20-C1-2006 20-C1-2007 20-C2-2006 20-C2-2007	84.048	10,000 9,900 12,230 329,043 4,568 62,235	7,250 - 9,369 368,291 - 60,606
Total Vocational Education- Basic Grants to States			<u>427,976</u>	<u>445,516</u>
Safe and Drug Free Schools and Communities - State Grants	DR-S1-2007	84.186	907	907
State Grants for Innovative Programs	C2-S1-2006 C2-S1-2007	84.298	2,565 1,676	- 1,676
Total State Grants for Innovative Programs			<u>4,241</u>	<u>1,676</u>
Vocational Education - Occupational and Employment Information State Grants	OE-00-2006	84.346	800	5,069
Improving Teacher Quality State Grants	TR-S1-2006 TR-S1-2007	84.367	4,250 521	- 5,220
Total Improving Teacher Quality State Grants			<u>4,771</u>	<u>5,220</u>
Total U.S. Department of Education			<u>743,858</u>	<u>810,164</u>
Totals			<u><u>\$ 743,858</u></u>	<u><u>\$ 810,164</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the Center contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Center has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

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

Career and Technology Education Centers
Licking County
150 Price Road
Newark, Ohio 43055

To the Board of Education

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Career and Technology Education Centers, Licking County, Ohio, (the Center) as of and for the year ended June 30, 2007, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 9, 2008, wherein we noted the Center restated July 1, 2006 beginning net assets of the Governmental and Business-Type Activities and July 1, 2006 fund balance of the Other Governmental Funds due to reclassification of funds from Enterprise to Special Revenue. 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 expressing our opinions on the financial statements, but not to opine on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-001 and 2007-002 are also material weaknesses.

We noted certain matters that we reported to the Center's management in a separate letter dated January 9, 2008.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2007-002 and 2007-003.

We did noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated January 9, 2008.

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



Mary Taylor, CPA
Auditor of State

January 9, 2008



Mary Taylor, CPA

Auditor of State

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

Career and Technology Education Centers
Licking County
150 Price Road
Newark, Ohio 43055

To the Board of Education:

Compliance

We have audited the compliance of Career and Technology Education Centers, Licking County, Ohio, (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 apply to each of its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the Center'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 express an opinion on the Center's compliance based on our audit.

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

In our opinion, the Center complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2007-004. In a separate letter to the Center's management dated January 9, 2008, we also reported another matter related to federal noncompliance not requiring inclusion in this report.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to administer a federal program such that there is more than a remote likelihood that the Center's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Center's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Mary Taylor, CPA
Auditor of State

January 9, 2008

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

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)?	Yes
<i>(d)(1)(ii)</i>	Were there any other 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)?	Yes
<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 other 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?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Vocational Education – CFDA # 84.048 And Federal Pell Grant Program CFDA # 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?	No

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

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

FINDING NUMBER 2007-001

Significant Deficiency and Material Weakness

Financial Statement Presentation

For accurate financial reporting, including management's ability to monitor operations, an internal control system and accounting system must be in place to allow management employees, in performing their assigned functions, including enabling an entity to identify, record, and report all transactions to prevent or detect misstatements on a timely basis.

Several audit adjustments and reclassifications were required due to errors in reporting various transactions.

The following errors were noted:

- \$80,046 of charges for services from extracurricular activities were posted as miscellaneous receipts.
- \$3,300,000 in bond anticipation note proceeds were posted to the General Fund rather than the Building Fund as required by Board of Education resolution. (See Finding 2007-002 also).
- \$3,300,000 in bond anticipation notes were classified as short-term notes payable in the Building fund, on the *Balance Sheet*, rather than long-term obligations as required by FASB Statement No. 6 *Classification of Short-Term Obligations Expected to Be Refinanced*. This also affected the liabilities of the *Statement of Net Assets*, as well as, understating other financing sources on the *Statement of Revenues, Expenditures, and Changes in Fund Balances*.
- \$118, 393 in accrued interest payable related to the above bond anticipation note was posted as a result of the short-term classification. This overstated expenditures in the Building Fund on the *Balance Sheet*.
- Accounts payable in the Building Fund on the Balance Sheet were overstated by \$646,089. As a result, accounts payable on the *Statement of Net Assets* were overstated, as well as were the expenditures and expenses on the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and *Statement of Activities*.
- Contracts payable in the Building Fund on the Balance Sheet were overstated by \$310,000. As a result, contracts payable on the *Statement of Net Assets* were overstated, as well as were the expenditures and expenses on the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and *Statement of Activities*.
- \$200,760 in contracts payable in the Permanent Improvement Fund (Other Governmental Funds) were posted as Accounts payable.
- Due to errors in recording and tracking capital assets, beginning of year net assets were overstated by \$1,356,907.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-001 (Continued)

Financial Statement Presentation (Continued)

- Depreciable capital asset additions related to building project were understated by \$1,926,768 on the *Statement of Net Assets*. This also overstated expenses in the same amount on the *Statement of Activities*.
- Depreciation expense related to building capital assets was understated by \$569,861 on the *Statement of Activities*.
- Unrestricted net assets were overstated by \$3,597,184.
- Net assets restricted for debt service were overstated by \$299,721.
- Invested in capital assets, net of related debt was understated by \$2,922,269.
- Net assets restricted for capital projects were understated by \$873,382.
- Net assets restricted for other purposes were understated by \$101,249.

The Center's financial statements, accounting records, as well as the underlying capital assets records have been adjusted to accurately reflect the required adjustments or proper line item classifications.

We recommend that the Treasurer/CFO develop policies and procedures that identify transactions of the Center and the proper accounting procedures for these transactions. The policy should include procedures for ensuring that once identified, those transactions have been posted correctly to the accounting system and/or the fiscal year-end financial statements. The policy should assure that all transactions are reviewed to determine if it has been posted correctly, federal and state regulations, local resolutions, and all Generally Accepted Accounting Principles (GAAP) issues have been considered. Furthermore, the Treasurer/CFO should work closely with the GAAP consultant, in assuring all material transactions have been identified and recorded properly.

FINDING NUMBER 2007-002

Noncompliance, Significant Deficiency and Material Weakness

Note Proceeds

On August 22, 2006, the Board of Education passed the following note resolution:

Authorizing the issuance of not to exceed \$3,300,000 of notes in the anticipation of the issuance of bonds for the purpose of constructing additions to and the renovating and improving existing buildings and facilities, including safety and health upgrades and improving access to the disabled; acquiring land, interests in land and facilities or constructing facilities, as necessary; furnishing and equipping the same; and landscaping and improving the sites thereof; and authorizing a note purchase agreement appropriate for the sale of the notes.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-002 (Continued)

Note Proceeds (Continued)

The notes were issued in anticipation of bonds under the authority of the general laws of the State of Ohio, including Ohio Rev. Code (ORC) Chapter 133, and in particular Section 133.22, thereof, for the purpose described in the resolution

Section 9, paragraph two, of the resolution requires the proceeds of such sale be deposited to the Treasury of the Center for the purpose aforesaid and no other purpose.

Additionally, ORC Section 5705.10 (E), requires all proceeds from the sale of public obligations as defined in ORC Section 133.01, except premium and accrued interest, shall be deposited into a special fund for the purpose of such issue.

The Center issued the notes on September 13, 2006, and contrary to the above requirements, the Treasurer/CFO posted the entire note proceeds to the Center's General Fund. On June 30, 2007, the Center transferred \$1,840,823 from the General Fund to the Building Fund for expenditures related to an on-going construction project, the remaining amount of \$1,459,177 of the proceeds remained in the General Fund.

Because the note proceeds were posted to the General Fund instead of the Building Fund as required by the Center's Note Resolution and related sections of the ORC, an audit adjustment to record the entire proceeds in the Building Fund and to remove the activity from the General Fund was required. In addition, interest totaling \$138,782 which was erroneously posted to the General Fund from the note proceeds for fiscal year 2007 was adjusted out of the General Fund and posted to the Building Fund. The fund balance adjustment required at June 30, 2007, net of the June 30, 2007 transfer from the General Fund to the Building Fund of \$1,840,823 resulted in the following:

	<u>General Fund</u>	<u>Building Fund</u>
Net Fund Balance	(\$1,597,959)	\$1,597,959
Adjustment		

The Center's Treasurer/CFO has posted the above adjustment to the accounting records and the adjustment has been made to the accompanying financial statements.

We recommend that the Center's Board and Treasurer/CFO consult with their legal council to assure all future note and bond issuances are properly recorded and that balances remaining in the Building Fund be used only for those purposes outlined in the above resolution and authorized by law.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-003

Noncompliance

Certification of Funds

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Treasurer is attached thereto. The Treasurer must certify that the amount required to meet such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the Treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that the Treasurer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Treasurer can authorize the drawing of a warrant for the payment of the amount due. The Center has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Center.

2. Blanket Certificate – Treasurers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Center may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Treasurer did not utilize the encumbrance method of accounting for 21% of expenditures tested. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Center's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the Center. When prior certification is not possible, "then and now" certification should be used.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

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

FINDING NUMBER 2007-003 (Continued)

We recommend the Treasurer/CFO certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer/CFO should sign the certification at the time the Center incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer/CFO should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

3. FINDINGS FOR FEDERAL AWARDS

Data Collection Form - Report Submission

Finding Number	2007-004
CFDA Title and Number	Federal Pell Grant, #84.063 Adult Education, #84.002 Vocational Education Basic Grants, 84.048 Safe and Drug Free Schools, #84.186 State Grants for Innovative Programs, #84.298 Voc. Education Information Grant, #84.346 Improving Teacher Quality, #84.367
Federal Award Number/Year	AB-S1 and S2 -2006/2007 20-A0-A5-C1-C2 – 2005/2006/2007 DR-S1-2007 C2-S1-2006/2007 OE-00-2006 TR-S1-2006/2007
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance

Data Collection Form - Report Submission

2 CFR Part 225 (formerly known as OMB Circular A-133, § 320) states in pertinent part that the audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit. Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2007-004 (Continued)

Noncompliance (Continued)

Data Collection Form - Report Submission (Continued)

The Center received the auditor's report on May 10, 2007. As of January 9, 2008, the Board had not submitted the fiscal year 2006 data collection form and reporting package to the Federal Clearinghouse within the required time period of 30 days after receipt of the auditor's report. The Board did not have an agreement with the cognizant agency to extend the required submission date. This resulted in the Board being a high risk auditee per 2 CFR Part 225 (formerly known as OMB Circular A-133 § 530).

We recommend that the Board submit the 2006 data collection form and the reporting package to the Federal Clearinghouse immediately. In the future, the Board should have procedures in place to make sure the information is submitted within the required time frame.

Officials' Response: We did not receive a response from Officials to these findings.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Adopting a Resolution over and maintaining an accurate Aged Accounts Receivable Listing	No	Partially Corrected – The Accounts Receivable listing is being maintained on a more current basis – however no policy had been adopted for the audit period in regards to aged accounts receivable. This is reported in the Report Letter to Management.
2006-002	Ohio Rev. Code Section 5705.10	Yes	



Mary Taylor, CPA
Auditor of State

CAREER AND TECHNOLOGY EDUCATION CENTERS

LICKING 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
MAY 6, 2008**