



**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2005**



**Auditor of State  
Betty Montgomery**



**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

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## Auditor of State Betty Montgomery

### 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, the business-type 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, 2005, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Career and Technology Education Centers, Licking County, Ohio, as of June 30, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, the Center increased its capitalization threshold and corrected prior reporting errors which resulted in a restatement of capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2006, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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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 schedule of federal awards receipts and expenditures provides additional information and is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures 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.



**Betty Montgomery**  
Auditor of State

April 17, 2006

## **CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2005*

*(Unaudited)*

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The discussion and analysis of the Career and Technology Education Centers of Licking County's financial performance provides an overview and analysis of the Education Center's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the Education Center'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 the Education Center's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new 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, 2005 by \$15,341,539. This balance was comprised of an \$1,831,939 balance in capital assets, net of related debt and net asset amounts restricted for specific purposes, and \$8,572,711 in unrestricted net assets.
- In total, net assets of governmental activities increased by \$1,862,689, which represents a 14.24 percent increase from 2004. Net assets of the business-type activities decreased \$160,576, which represents a 26.96 percent decrease from 2004.
- General revenues accounted for \$12,610,333 or 82.90 percent of all revenues of governmental activities. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,600,907 or 17.10 percent of total revenues of \$15,211,240 for the governmental activities.
- The Education Center had \$13,348,551 in expenses related to governmental activities; only \$2,600,907 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 \$12,610,333 were used to provide for the remainder of these programs.
- The Education Center had \$1,413,867 in expenses related to business-type activities; \$1,229,039 of these expenses were offset by program specific charges for services and sales, grants or contributions.
- The Education Center recognizes three major governmental funds: the General, Bond Retirement and Building Funds. The General Fund had \$10,523,073 in revenues and \$10,518,849 in expenditures in fiscal year 2005.
- The Education Center recognizes one major proprietary fund: the Adult Education Fund. In terms of dollars received and spent, the Adult Education Fund is significantly larger than all the other proprietary funds of the Education Center combined. The Adult Education Fund had \$1,184,581 in revenues and \$1,334,973 in expenses in fiscal year 2005.

### **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 Career and Technology Education Centers of Licking County as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2005*

*(Unaudited)*

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

**Reporting the Education Center as a Whole**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Education Center'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 the whole Education Center, presenting both an aggregate view of the Education Center'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 the Education Center'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 the Education Center 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 the Education Center's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the Education Center'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, the Education Center's activities are divided into two distinct kinds of activities:

**Governmental Activities**

Most of the Education Center'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.

**Business-Type Activities**

These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The Education Center rotary and adult education operations are reported as business-type activities.



**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Management's Discussion and Analysis*

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*(Unaudited)*

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**Reporting the Education Center's Most Significant Funds**

**Fund Financial Statements**

Fund financial reports provide detailed information about the Education Center's major funds. The Education Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Education Center'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. The Education Center, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Education Center can be divided into one of three categories: governmental, proprietary and fiduciary funds.

**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.

**Proprietary Funds**

Proprietary funds have historically operated as enterprise funds using the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the Education Center as a whole.

**Fiduciary Funds**

The Education Center's fiduciary funds are the private purpose trust and agency funds. We exclude these activities from the Education Center's other financial statements because the Education Center 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.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2005*

*(Unaudited)*

**Government-Wide Financial Analysis**

Recall that the statement of net assets provides the perspective of the Education Center as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the Education Center's net assets for 2005 compared to fiscal year 2004:

**Table 1  
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b><u>Assets:</u></b>						
Current and Other Assets	\$34,246,850	\$49,481,439	\$296,630	\$424,819	\$34,543,480	\$49,906,258
Capital Assets, Net	25,843,476	8,484,281	240,252	273,063	26,083,728	8,757,344
<i>Total Assets</i>	60,090,326	57,965,720	536,882	697,882	60,627,208	58,663,602
<b><u>Liabilities:</u></b>						
Long-Term Liabilities	34,400,401	36,288,820	59,973	69,278	34,460,374	36,358,098
Other Liabilities	10,747,657	8,597,321	41,874	32,993	10,789,531	8,630,314
<i>Total Liabilities</i>	45,148,058	44,886,141	101,847	102,271	45,249,905	44,988,412
<b><u>Net Assets:</u></b>						
Invested in Capital Assets, Net of Related Debt	1,591,687	3,929,556	240,252	273,063	1,831,939	4,202,619
Restricted	4,936,889	4,511,535	0	0	4,936,889	4,511,535
Unrestricted	8,413,692	4,638,488	194,783	322,548	8,608,475	4,961,036
<i>Total Net Assets</i>	<u>\$14,942,268</u>	<u>\$13,079,579</u>	<u>\$435,035</u>	<u>\$595,611</u>	<u>\$15,377,303</u>	<u>\$13,675,190</u>

Current and other assets decreased \$15,398,542 from fiscal year 2004 with governmental activities comprising most of the decrease. The decrease is the result of a decrease in cash and cash equivalents which is due to expenditures for construction.

Capital assets increased by \$17,326,384 as a result of the construction in progress for the new facilities project.

Current (other) liabilities increased \$2,159,217 due to an increase in contracts payable.

Long-term liabilities decreased \$1,897,724 due to scheduled payments made on the Education Center's debt outstanding.

The net assets of the Education Center business-type activities decreased \$160,576 or 26.96 percent.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Management's Discussion and Analysis*

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For governmental activities, the Education Center's largest portion of net assets of \$8,413,692 or 56.30 percent represent resources that may be used to meet the Education Center's ongoing obligations to its students and creditors.

The next largest portion of net assets for governmental activities of \$4,936,889 or 33.04 percent is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

The remaining balance for governmental activities is \$1,591,867 or 10.66 percent, and is related to amounts invested in capital assets, net of related debt. The Education Center used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the Education Center'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.

Table 2 shows the changes in net assets for fiscal year 2005 and provides a comparison to fiscal year 2004.

Table 2

**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b><u>Revenues:</u></b>						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$385,606	\$333,613	\$875,322	\$955,183	\$1,260,928	\$1,288,796
Operating Grants and Contributions	2,215,301	1,667,782	353,717	377,224	2,569,018	2,045,006
<i>General Revenues:</i>						
Property Taxes	8,602,868	8,429,529	0	0	8,602,868	8,429,529
Unrestricted Grants and Entitlements	3,257,690	3,557,260	0	0	3,257,690	3,557,260
Investments Earnings	703,372	264,686	0	0	703,372	264,686
Miscellaneous	46,403	73,392	24,252	21,737	70,655	95,129
<b>Total Revenues</b>	<b>15,211,240</b>	<b>14,326,262</b>	<b>1,253,291</b>	<b>1,354,144</b>	<b>16,464,531</b>	<b>15,680,406</b>
<b><u>Expenses:</u></b>						
<i>Program Expenses:</i>						
<i>Instruction:</i>						
Regular	1,085,617	1,510,432	0	0	1,085,617	1,510,432
Special	33,632	9,163	0	0	33,632	9,163
Vocational	4,366,842	2,975,207	0	0	4,366,842	2,975,207
Adult/Continuing	323,532	354,697	0	0	323,532	354,697

(Continued)

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

Table 2  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<i>Support Services:</i>						
Pupils	1,117,992	962,055	0	0	1,117,992	962,055
Instructional Staff	1,063,464	1,358,462	0	0	1,063,464	1,358,462
Board of Education	21,431	34,635	0	0	21,431	34,635
Administration	750,798	714,436	0	0	750,798	714,436
Fiscal	478,928	387,399	0	0	478,928	387,399
Business	456,632	193,457	0	0	456,632	193,457
Operation and Maintenance of Plant	1,227,964	1,049,279	0	0	1,227,964	1,049,279
Pupil Transportation	20,042	42,107	0	0	20,042	42,107
Central	560,777	559,348	0	0	560,777	559,348
<i>Operation of Non-Instructional Services:</i>						
Food Services	238,713	204,225	0	0	238,713	204,225
Extracurricular Activities	99,899	87,479	0	0	99,899	87,479
Interest and Fiscal Charges	1,502,288	1,718,064	0	0	1,502,288	1,718,064
Rotary	0	0	78,894	63,126	78,894	63,126
Adult Education	0	0	1,334,973	1,294,992	1,334,973	1,294,992
<i>Total Expenses</i>	<u>13,348,551</u>	<u>12,160,445</u>	<u>1,413,867</u>	<u>1,358,118</u>	<u>14,762,418</u>	<u>13,518,563</u>
<i>Changes in Nets Assets</i>	1,862,689	2,165,817	(196,340)	(3,974)	1,666,349	2,161,843
Net Assets at Beginning of Year, As Restated	13,079,579	10,913,762	595,611	599,585	13,675,190	11,513,347
Net Assets at End of Year	<u>\$14,942,268</u>	<u>\$13,079,579</u>	<u>\$435,035</u>	<u>\$595,611</u>	<u>\$15,377,303</u>	<u>\$13,675,190</u>

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Management's Discussion and Analysis*

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*(Unaudited)*

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The most significant program expenses for the Education Center are Vocational Instruction, Interest and Fiscal Charges, Operation and Maintenance of Plant, Pupils and Regular Instruction. These programs account for 69.68 percent of the total governmental activities. Vocational Instruction, which accounts for 32.71 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. Interest and Fiscal Charges, which accounts for 11.25 percent of the total, represents costs associated with the repayment of the Education Center's debt. Operation and Maintenance of Plant, which accounts for 9.20 percent of the total, represents costs associated with operating and maintaining the Education Center's facilities. Pupil, which accounts for 8.38 percent of the total, represents costs associated with activities which are designed to assess and improve the well-being of pupils and to supplement the teaching process. Regular Instruction, which accounts for 8.13 percent of the total, represents costs associated with providing general educational services.

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 77.97 percent of total revenues for governmental activities.

As noted previously, the net assets for governmental activities increased \$1,862,689 or 14.24 percent. This is a decrease from last year when net assets increased \$2,165,817 or 17.37 percent. Total revenues for governmental activities increased \$884,978 or 6.18 percent over the last year and expenses increased \$1,188,106 or 9.77 percent over last year.

The Education Center had program revenue increases for governmental activities of \$599,512, as well as an increase in general revenues of \$285,466. The increase in program revenues is mostly due to an increase in operating grants reported as program revenue. There were two significant increases in general revenues. Property taxes increased \$173,339 or 2.06 percent due to the addition of a bond retirement levy in 2004. Investment earnings increased \$438,686 or 165.74 percent due to funds available for investment.

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 the Education Center's increase in revenues available to spend and increase in payables for 2005.

The most significant program expenses for the Education Center's business-type activities is Adult Education. This program, which accounts for 94.42 percent of the total business-type activities, represents costs associated with providing instructional activities designed to develop basic education and job training for adults. All of the funding for this program comes from tuition and fees, grants, and contributions.

For business-type activities, the Education Center's program revenue decreased \$103,368 or 7.76 percent and expenses increased \$55,749 or 4.10 percent. These increases are mostly due to increased activity in the adult education programs.

**Governmental Activities**

Over the past several fiscal years, the Education Center has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The Education Center 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 56.56 percent and intergovernmental revenue made up 35.98 percent of the total revenue for the governmental activities in fiscal year 2005.

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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. The Education Center's operating millage rate is currently at 2 mills and collections do increase/decrease correspondingly with fluctuations in property valuations.

The Education Center'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.

The Education Center's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2005, the Education Center received \$4,008,250 through the State's foundation program, which represents 26.35 percent of the total revenue for the governmental activities. The Education Center relies on this state funding to operate at the current levels of service.

Instruction accounts for 39.35 percent of governmental program expenses. Support services expenses make up 44.47 percent of governmental expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

**Business-Type Activities**

Business-type activities include the rotary activities and the adult education program. These programs had program revenues of \$1,229,039 and expenses of \$1,413,867 for fiscal year 2005. Over 70 percent of those program revenues were from tuition and classroom materials and fees for the adult education program.

Table 3 shows, the total cost of services and the net cost of services for fiscal year 2005 compared with fiscal year 2004. 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
	2005	2005	2004	2004
<b><i>Program Expenses:</i></b>				
<i>Governmental Activities:</i>				
Instruction	\$5,809,623	\$3,980,333	\$4,849,499	\$3,067,908
Support Services	5,698,028	5,156,466	5,301,178	5,289,087
Operation of Non-Instructional Services	238,713	70,992	204,225	64,313
Extracurricular Activities	99,899	37,565	87,479	19,678
Interest and Fiscal Charges	1,502,288	1,502,288	1,718,064	1,718,064
<i>Business-Type Activities:</i>				
Rotary	78,894	10,184	63,126	(25,204)
Adult Education	1,334,973	174,644	1,294,992	50,915
<b>Total Expenses</b>	<b>\$14,762,418</b>	<b>\$10,932,472</b>	<b>\$13,518,563</b>	<b>\$10,184,761</b>

## **CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2005*

*(Unaudited)*

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### **The Education Center's Funds**

The Education Center'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 \$15,019,359 and expenditures and other financing uses of \$32,728,484.

Total governmental funds fund balance decreased by \$17,709,125. The decrease in fund balance for the year was most significant in the Building Fund, a decrease of \$17,186,974 reflecting increased expenditures for construction costs.

The Education Center should remain stable in fiscal years 2006 through 2008. Projections beyond fiscal year 2008 show the Education Center 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.

### **Budget Highlights - General Fund**

The Education Center'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, the Education Center may amend its General Fund budget several times. The Education Center uses a modified program-based budget technique that is designed to control program budgets while providing building administrators and supervisors flexibility for program management.

The Education Center 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 \$10,744,267 representing a \$508,363 increase from the original budget basis estimates of \$10,235,904. The final budget reflected a 4.97 percent increase from the original budgeted amount. Most of this difference is due to conservative estimates of property taxes. For the General Fund, the final budget basis expenditures were \$14,500,003 representing a \$3,786,915 increase from the original budget expenditures of \$10,713,088. The final budget reflected a 35.35 percent increase from the original budgeted amount. Most of the difference is due to conservative estimates of resources available for appropriation.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

At the end of fiscal year 2005, the Education Center had \$32.3 million invested in capital assets in the governmental activities and \$0.9 million in the business-type activities. These totals carry accumulated depreciation of \$6.4 million and \$0.7 million, respectively. Table 4 shows fiscal year 2005 balances compared to fiscal year 2004.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**  
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*(Unaudited)*

Table 4  
**Capital Assets & Accumulated Depreciation at June 30, 2005**

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
<i>Nondepreciable Assets:</i>				
Land	\$242,114	\$242,114	\$0	\$0
Construction in Progress	22,510,138	5,367,447	0	0
<i>Depreciable Assets:</i>				
Land Improvements	511,191	511,191	0	0
Buildings and Improvements	7,040,734	7,040,734	849,807	849,807
Furniture, Fixtures and Equipment	1,991,758	1,499,448	64,588	64,588
Vehicles	23,725	0	0	0
<i>Total Capital Assets</i>	32,319,660	14,660,934	914,395	914,395
<i>Accumulated Depreciation:</i>				
Land Improvements	(671,766)	(637,832)	0	0
Buildings and Improvements	(4,742,299)	(4,546,638)	(637,353)	(609,027)
Furniture, Fixtures and Equipment	(1,060,537)	(992,183)	(36,790)	(32,305)
Vehicles	(1,582)	0	0	0
<i>Total Accumulated Depreciation</i>	(6,476,184)	(6,176,653)	(674,143)	(641,332)
Capital Assets, Net	\$25,843,476	\$8,484,281	\$240,252	\$273,063

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



**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2005*

*(Unaudited)*

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**Debt Administration**

At June 30, 2005, the Education Center had \$33,062,360 in general obligation debt outstanding with \$1,781,026 due within one year. Table 5 summarizes bonds and notes outstanding for fiscal year 2005 compared to fiscal year 2004.

Table 5  
**Outstanding Debt, Governmental Activities at Year End**

Purpose	2005	2004
Energy Conservation Note	\$625,693	\$732,775
General Obligation Bonds	31,970,000	33,485,000
Construction Loan	466,667	500,000
Total	<u>\$33,062,360</u>	<u>\$34,717,775</u>

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

**Current Issues**

The vision of the Career and Technology Education Centers of Licking County is to be the area's premier workforce provider by developing skilled workers and community-minded citizens who engage in continuous learning.

The mission of the Career and Technology Education Centers of Licking County 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.

The Education Center is in the process of building a 350,000 square foot facility. This facility will be able to accommodate over 800 high school students which will be a 300 student population growth. It will also allow for more adult education students to be served through additional facilities.

The Education Center is also currently expanding the Career Technical Education Offerings throughout Licking County. The Education Center has been expanding and offering more Career Course Programs off campus at our Associate School locations. These programs are conducted by the Education Center at those locations.

We continuously perform program reviews on our current program offerings to assure their relevance and performance. Programs that do not meet enrollment or performance standards are subject to cancellation. Current programs that have high enrollments and exceed performance standards may be expanded to two teacher programs in the future.

The Education Center has achieved a large measure of financial stability and forecasts a positive cash balance throughout the five years of the required forecasting period. As indicated in the preceding financial information, the Education Center is dependent upon property taxes and state funding. State funding does not increase solely with inflation. Therefore, administrators and staff are cognizant of the vulnerability of this stability and the Board of Education and administration continue to closely monitor both revenue and expenses.

***CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY***  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

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**Contacting the Education Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Education Center's finances and to show the Education 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 Centers of Licking County Board of Education, 150 Price Road, Newark, Ohio 43055.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Statement of Net Assets*

*June 30, 2005*

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$24,933,479	\$198,678	\$25,132,157
Property Taxes Receivable	8,849,184	0	8,849,184
Accounts Receivable	0	69,902	69,902
Intergovernmental Receivable	289,884	75,616	365,500
Accrued Interest Receivable	98,471	0	98,471
Internal Balance	47,566	(47,566)	0
Prepaid Items	28,266	0	28,266
Nondepreciable Capital Assets	22,752,252	0	22,752,252
Depreciable Capital Assets, net	3,091,224	240,252	3,331,476
<i>Total Assets</i>	<u>60,090,326</u>	<u>536,882</u>	<u>60,627,208</u>
<b><u>Liabilities:</u></b>			
Accounts Payable	65,564	61	65,625
Accrued Wages and Benefits	276,150	12,902	289,052
Contracts Payable	1,992,681	0	1,992,681
Intergovernmental Payable	225,951	28,911	254,862
Retainage Payable	651,700	0	651,700
Accrued Interest Payable	237,953	0	237,953
Matured Compensated Absences Payable	47,975	0	47,975
Deferred Revenue	7,249,683	0	7,249,683
<i>Long-Term Liabilities:</i>			
Due within One Year	1,905,812	29,258	1,935,070
Due in More Than One Year	32,494,589	30,715	32,525,304
<i>Total Liabilities</i>	<u>45,148,058</u>	<u>101,847</u>	<u>45,249,905</u>
<b><u>Net Assets:</u></b>			
Invested in Capital Assets, Net of Related Debt	1,591,687	240,252	1,831,939
<i>Restricted for:</i>			
Capital Projects	4,662,855	0	4,662,855
Debt Service	217,942	0	217,942
Other Purposes	56,092	0	56,092
Unrestricted	8,413,692	194,783	8,608,475
<i>Total Net Assets</i>	<u>\$14,942,268</u>	<u>\$435,035</u>	<u>\$15,377,303</u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2005*

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
<b><u>Governmental Activities:</u></b>			
<i>Instruction:</i>			
Regular	\$1,085,617	\$0	\$67,822
Special	33,632	0	153,940
Vocational	4,366,842	126,292	1,307,688
Adult/Continuing	323,532	20,778	152,770
<i>Support Services:</i>			
Pupils	1,117,992	1,555	258,808
Instructional Staff	1,063,464	6,926	266,273
Board of Education	21,431	0	0
Administration	750,798	0	0
Fiscal	478,928	0	5,000
Business	456,632	0	0
Operation and Maintenance of Plant	1,227,964	0	0
Pupil Transportation	20,042	0	0
Central	560,777	0	3,000
Operation of Non-Instructional Services	238,713	167,721	0
Extracurricular Activities	99,899	62,334	0
<i>Debt Service:</i>			
Interest and Fiscal Charges	1,502,288	0	0
<i>Total Governmental Activities</i>	<u>13,348,551</u>	<u>385,606</u>	<u>2,215,301</u>
<b><u>Business-Type Activities:</u></b>			
Rotary	78,894	68,710	0
Adult Education	1,334,973	806,812	353,717
<i>Total Business-Type Activities</i>	<u>1,413,867</u>	<u>875,322</u>	<u>353,717</u>
<i>Totals</i>	<u>\$14,762,418</u>	<u>\$1,260,928</u>	<u>\$2,569,018</u>

**General Revenues:**

*Property Taxes Levied for:*

- General Purposes
- Debt Service
- Grants and Entitlements not Restricted to Specific Programs
- Gifts and Donations
- Investment Earnings
- Miscellaneous

*Total General Revenues*

Change in Net Assets

*Net Assets at Beginning of Year - As Restated (See Note 3)*

*Net Assets at End of Year*

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,017,795)	\$0	(\$1,017,795)
120,308	0	120,308
(2,932,862)	0	(2,932,862)
(149,984)	0	(149,984)
(857,629)	0	(857,629)
(790,265)	0	(790,265)
(21,431)	0	(21,431)
(750,798)	0	(750,798)
(473,928)	0	(473,928)
(456,632)	0	(456,632)
(1,227,964)	0	(1,227,964)
(20,042)	0	(20,042)
(557,777)	0	(557,777)
(70,992)	0	(70,992)
(37,565)	0	(37,565)
<u>(1,502,288)</u>	<u>0</u>	<u>(1,502,288)</u>
<u>(10,747,644)</u>	<u>0</u>	<u>(10,747,644)</u>
0	(10,184)	(10,184)
<u>0</u>	<u>(174,644)</u>	<u>(174,644)</u>
<u>0</u>	<u>(184,828)</u>	<u>(184,828)</u>
<u>(10,747,644)</u>	<u>(184,828)</u>	<u>(10,932,472)</u>
5,934,555	0	5,934,555
2,668,313	0	2,668,313
3,257,690	0	3,257,690
1,750	0	1,750
703,372	0	703,372
44,653	24,252	68,905
<u>12,610,333</u>	<u>24,252</u>	<u>12,634,585</u>
1,862,689	(160,576)	1,702,113
<u>13,079,579</u>	<u>595,611</u>	<u>13,675,190</u>
<u>\$14,942,268</u>	<u>\$435,035</u>	<u>\$15,377,303</u>

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Balance Sheet  
Governmental Funds  
June 30, 2005*

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$4,617,712	\$548,421	\$17,086,837	\$2,680,509	\$24,933,479
Property Taxes Receivable	5,899,456	2,949,728	0	0	8,849,184
Intergovernmental Receivable	0	0	0	289,884	289,884
Accrued Interest Receivable	16,506	0	81,965	0	98,471
Interfund Receivable	368,292	0	0	0	368,292
Prepaid Items	675	0	27,591	0	28,266
<i>Total Assets</i>	<u>\$10,902,641</u>	<u>\$3,498,149</u>	<u>\$17,196,393</u>	<u>\$2,970,393</u>	<u>\$34,567,576</u>
<b><u>Liabilities and Fund Balances:</u></b>					
<b><u>Liabilities:</u></b>					
Accounts Payable	\$13,069	\$0	\$0	\$52,495	\$65,564
Accrued Wages and Benefits	274,293	0	0	1,857	276,150
Contracts Payable	0	0	1,992,681	0	1,992,681
Intergovernmental Payable	221,370	0	0	4,581	225,951
Retainage Payable	0	0	651,700	0	651,700
Interfund Payable	0	0	0	320,726	320,726
Matured Compensated Absences Payable	47,975	0	0	0	47,975
Deferred Revenue	5,131,078	2,565,539	0	256,525	7,953,142
<i>Total Liabilities</i>	<u>5,687,785</u>	<u>2,565,539</u>	<u>2,644,381</u>	<u>636,184</u>	<u>11,533,889</u>
<b><u>Fund Balances:</u></b>					
Reserved for Encumbrances	578,523	0	4,417,664	39,315	5,035,502
Reserved for Property Taxes	768,378	384,189	0	0	1,152,567
<i>Unreserved, Undesignated, Reported in:</i>					
General Fund	3,867,955	0	0	0	3,867,955
Special Revenue Funds	0	0	0	(256,773)	(256,773)
Debt Service Fund	0	548,421	0	0	548,421
Capital Projects Funds	0	0	10,134,348	2,551,667	12,686,015
<i>Total Fund Balances</i>	<u>5,214,856</u>	<u>932,610</u>	<u>14,552,012</u>	<u>2,334,209</u>	<u>23,033,687</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$10,902,641</u>	<u>\$3,498,149</u>	<u>\$17,196,393</u>	<u>\$2,970,393</u>	<u>\$34,567,576</u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Reconciliation of Total Governmental Fund Balances to*

*Net Assets of Governmental Activities*

*June 30, 2005*

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<b>Total Governmental Funds Balances</b>		\$23,033,687
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		25,843,476
Some of the Education Center's receivables will be collected after fiscal year-end, however 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	446,934	
Intergovernmental	<u>256,525</u>	
Total receivables that are deferred in the funds		703,459
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	(625,693)	
General obligation bonds	(31,970,000)	
Construction loan	(466,667)	
Premium on bonds issued	(643,462)	
Accrued interest on notes and bonds	(237,953)	
Compensated absences	<u>(694,579)</u>	
Total liabilities that are not reported in the funds		<u>(34,638,354)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$14,942,268</u></u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2005

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>					
Property Taxes	\$5,922,595	\$2,662,333	\$0	\$0	\$8,584,928
Intergovernmental	4,381,311	318,639	0	541,484	5,241,434
Interest	133,963	0	521,760	47,649	703,372
Tuition and Fees	16,551	0	0	137,445	153,996
Rent	5	0	0	1,555	1,560
Extracurricular Activities	0	0	0	38,334	38,334
Gifts and Donations	0	0	0	1,837	1,837
Charges for Services	24,000	0	0	167,721	191,721
Miscellaneous	44,648	0	0	0	44,648
<i>Total Revenues</i>	<u>10,523,073</u>	<u>2,980,972</u>	<u>521,760</u>	<u>936,025</u>	<u>14,961,830</u>
<b><u>Expenditures:</u></b>					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	1,048,144	0	0	69,297	1,117,441
Special	33,232	0	0	400	33,632
Vocational	3,826,834	0	0	209,876	4,036,710
Adult/Continuing	97,750	0	0	254,070	351,820
<i>Support Services:</i>					
Pupils	886,644	0	0	251,377	1,138,021
Instructional Staff	778,803	0	0	290,311	1,069,114
Board of Education	24,150	0	0	0	24,150
Administration	770,030	359	0	5,001	775,390
Fiscal	443,420	46,450	0	4,984	494,854
Business	456,632	0	0	0	456,632
Operation and Maintenance of Plant	1,225,026	0	39,185	0	1,264,211
Pupil Transportation	20,476	0	0	0	20,476
Central	649,697	0	10,823	11,121	671,641
Operation of Non-Instructional Services	17,672	0	0	218,430	236,102
Extracurricular Activities	64,332	0	0	35,567	99,899
Capital Outlay	0	0	17,658,726	18,968	17,677,694
<i>Debt Service:</i>					
Principal Retirement	140,415	1,515,000	0	0	1,655,415
Interest and Fiscal Charges	35,592	1,512,161	0	0	1,547,753
<i>Total Expenditures</i>	<u>10,518,849</u>	<u>3,073,970</u>	<u>17,708,734</u>	<u>1,369,402</u>	<u>32,670,955</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,224</u>	<u>(92,998)</u>	<u>(17,186,974)</u>	<u>(433,377)</u>	<u>(17,709,125)</u>
<b><u>Other Financing Sources (Uses):</u></b>					
Transfers In	0	0	0	57,529	57,529
Transfers Out	(57,529)	0	0	0	(57,529)
<i>Total Other Financing Sources (Uses)</i>	<u>(57,529)</u>	<u>0</u>	<u>0</u>	<u>57,529</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(53,305)	(92,998)	(17,186,974)	(375,848)	(17,709,125)
<i>Fund Balances at Beginning of Year</i>	<u>5,268,161</u>	<u>1,025,608</u>	<u>31,738,986</u>	<u>2,710,057</u>	<u>40,742,812</u>
<i>Fund Balances at End of Year</i>	<u>\$5,214,856</u>	<u>\$932,610</u>	<u>\$14,552,012</u>	<u>\$2,334,209</u>	<u>\$23,033,687</u>

See accompanying notes to the basic financial statements.



**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2005*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	(\$17,709,125)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
	17,359,195
 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	17,940
Intergovernmental	<u>231,470</u>
Total revenues not reported in the funds	249,410
 Repayment of note and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	1,655,415
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
	11,599
 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:	
Decrease in intergovernmental payables	63,191
Decrease in compensated absences payable	199,138
Amortization of bond premium	<u>33,866</u>
Total expenditures not reported in the funds	<u>296,195</u>
 <i>Change in Net Assets of Governmental Activities</i>	 <u><u>\$1,862,689</u></u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*

*General Fund*

*For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b><u>Revenues:</u></b>				
Property Taxes	\$5,719,000	\$6,005,950	\$5,931,090	(\$74,860)
Intergovernmental	4,176,661	4,386,346	4,381,311	(5,035)
Interest	142,697	150,000	117,457	(32,543)
Tuition and Fees	16,193	16,900	16,551	(349)
Rent	0	0	5	5
Charges for Services	23,277	24,000	24,000	0
Miscellaneous	42,505	45,500	44,648	(852)
<b>Total Revenues</b>	<b>10,120,333</b>	<b>10,628,696</b>	<b>10,515,062</b>	<b>(113,634)</b>
<b><u>Expenditures:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	8,580,585	11,645,484	1,179,201	10,466,283
Special	3,186	3,959	34,631	(30,672)
Vocational	943,015	1,281,966	4,056,720	(2,774,754)
Adult/Continuing	23,363	31,348	100,875	(69,527)
<i>Support Services:</i>				
Pupils	136,992	185,215	884,768	(699,553)
Instructional Staff	142,302	193,073	813,206	(620,133)
Board of Education	3,186	5,042	22,032	(16,990)
Administration	168,851	228,653	798,658	(570,005)
Fiscal	69,027	93,892	444,111	(350,219)
Business	106,195	143,974	476,739	(332,765)
Operation and Maintenance of Plant	289,913	393,576	1,361,892	(968,316)
Pupil Transportation	4,248	5,640	95,911	(90,271)
Central	112,567	152,526	737,622	(585,096)
Operation of Non-Instructional Services	0	0	17,772	(17,772)
Extracurricular Activities	9,557	12,799	64,161	(51,362)
Capital Outlay	0	383	0	383
<i>Debt Service:</i>				
Principal Retirement	0	0	33,333	(33,333)
Interest and Fiscal Charges	26,549	35,703	142,674	(106,971)
<b>Total Expenditures</b>	<b>10,619,536</b>	<b>14,413,233</b>	<b>11,264,306</b>	<b>3,148,927</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(499,203)</b>	<b>(3,784,537)</b>	<b>(749,244)</b>	<b>3,035,293</b>
<b><u>Other Financing Sources (Uses):</u></b>				
Advances In	115,571	115,571	115,571	0
Advances Out	(66,656)	(66,656)	(373,999)	(307,343)
Transfers Out	(26,896)	(20,114)	(57,529)	(37,415)
<b>Total Other Financing Sources (Uses)</b>	<b>22,019</b>	<b>28,801</b>	<b>(315,957)</b>	<b>(344,758)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(477,184)</b>	<b>(3,755,736)</b>	<b>(1,065,201)</b>	<b>2,690,535</b>
<b>Fund Balance at Beginning of Year</b>	<b>4,722,627</b>	<b>4,722,627</b>	<b>4,722,627</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>368,693</b>	<b>368,693</b>	<b>368,693</b>	<b>0</b>
<b>Fund Balance at End of Year</b>	<b>\$4,614,136</b>	<b>\$1,335,584</b>	<b>\$4,026,119</b>	<b>\$2,690,535</b>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Statement of Net Assets*

*Proprietary Funds*

*June 30, 2005*

	Business-Type Activities		
	Adult Education	Other Enterprise Fund	Total Enterprise Funds
<b><u>Assets:</u></b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$38,628	\$160,050	\$198,678
Accounts Receivable	69,902	0	69,902
Intergovernmental Receivable	75,616	0	75,616
<i>Total Current Assets</i>	<u>184,146</u>	<u>160,050</u>	<u>344,196</u>
<i>Noncurrent Assets:</i>			
Depreciable Capital Assets, Net	240,252	0	240,252
<i>Total Assets</i>	<u>424,398</u>	<u>160,050</u>	<u>584,448</u>
<b><u>Liabilities:</u></b>			
<i>Current Liabilities:</i>			
Accounts Payable	61	0	61
Accrued Wages and Benefits	12,902	0	12,902
Intergovernmental Payable	28,911	0	28,911
Interfund Payable	47,566	0	47,566
Compensated Absences Payable	29,258	0	29,258
<i>Total Current Liabilities</i>	<u>118,698</u>	<u>0</u>	<u>118,698</u>
<i>Noncurrent Liabilities:</i>			
Compensated Absences Payable	30,715	0	30,715
<i>Total Liabilities</i>	<u>149,413</u>	<u>0</u>	<u>149,413</u>
<b><u>Net Assets:</u></b>			
Invested in Capital Assets	240,252	0	240,252
Unrestricted	34,733	160,050	194,783
<i>Total Net Assets</i>	<u>\$274,985</u>	<u>\$160,050</u>	<u>\$435,035</u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2005*

	Business-Type Activities		
	Adult Education	Other Enterprise Fund	Total Enterprise Funds
<b><u>Operating Revenues:</u></b>			
Tuition	\$711,111	\$0	\$711,111
Sales	95,501	0	95,501
Charges for Services	0	68,710	68,710
Other Revenues	24,252	0	24,252
<i>Total Operating Revenues</i>	<u>830,864</u>	<u>68,710</u>	<u>899,574</u>
<b><u>Operating Expenses:</u></b>			
Salaries	806,849	0	806,849
Fringe Benefits	316,787	0	316,787
Purchased Services	68,180	156	68,336
Materials and Supplies	109,824	78,738	188,562
Depreciation	32,811	0	32,811
Other	522	0	522
<i>Total Operating Expenses</i>	<u>1,334,973</u>	<u>78,894</u>	<u>1,413,867</u>
<i>Operating Income (Loss)</i>	<u>(504,109)</u>	<u>(10,184)</u>	<u>(514,293)</u>
<b><u>Nonoperating Revenues:</u></b>			
Federal and State Subsidies	<u>353,717</u>	<u>0</u>	<u>353,717</u>
<i>Total Nonoperating Revenues</i>	<u>353,717</u>	<u>0</u>	<u>353,717</u>
<i>Change in Net Assets</i>	(150,392)	(10,184)	(160,576)
<i>Net Assets at Beginning of Year - As Restated (See Note 3)</i>	<u>425,377</u>	<u>170,234</u>	<u>595,611</u>
<i>Net Assets at End of Year</i>	<u>\$274,985</u>	<u>\$160,050</u>	<u>\$435,035</u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Statement of Cash Flows*

*Proprietary Funds*

*For the Fiscal Year Ended June 30, 2005*

	Business-Type Activities		
	Adult Education	Other Enterprise Fund	Total Enterprise Funds
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$790,159	\$68,710	\$858,869
Other Cash Receipts	24,252	0	24,252
Cash Payments to Employees for Services	(870,986)	0	(870,986)
Cash Payments for Employee Benefits	(245,199)	(78,894)	(324,093)
Cash Payments for Goods and Services	(185,879)	0	(185,879)
Other Cash Payments	(522)	0	(522)
<i>Net Cash from Operating Activities</i>	<u>(488,175)</u>	<u>(10,184)</u>	<u>(498,359)</u>
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Operating Grants Received	353,717	0	353,717
Advances Received	47,566	0	47,566
<i>Net Cash from Noncapital Financing Activities</i>	<u>401,283</u>	<u>0</u>	<u>401,283</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(86,892)	(10,184)	(97,076)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>125,520</u>	<u>170,234</u>	<u>295,754</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$38,628</u></u>	<u><u>\$160,050</u></u>	<u><u>\$198,678</u></u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:</u></b>			
Operating Income (Loss)	(\$504,109)	(\$10,184)	(\$514,293)
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:</u></b>			
Depreciation	32,811	0	32,811
<i>(Increase) Decrease in Assets:</i>			
Accounts Receivable	25,998	0	25,998
Intergovernmental Receivable	(42,451)	0	(42,451)
<i>Increase (Decrease) in Liabilities:</i>			
Accounts Payable	(5,023)	0	(5,023)
Accrued Wages and Benefits	5,141	0	5,141
Contracts Payable	(2,999)	0	(2,999)
Intergovernmental Payable	11,762	0	11,762
Compensated Absences Payable	(9,305)	0	(9,305)
<i>Total Adjustments</i>	<u>15,934</u>	<u>0</u>	<u>15,934</u>
<i>Net Cash from Operating Activities</i>	<u><u>(\$488,175)</u></u>	<u><u>(\$10,184)</u></u>	<u><u>(\$498,359)</u></u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2005*

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	<u>Private Purpose Trust</u>	<u>Agency</u>
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$63,408</u>	<u>\$724,777</u>
<b><u>Liabilities:</u></b>		
<i>Current Liabilities:</i>		
Due to Students	\$0	\$50,508
Undistributed Monies	<u>0</u>	<u>674,269</u>
<i>Total Liabilities</i>	<u>0</u>	<u>724,777</u>
<b><u>Net Assets:</u></b>		
<i>Held in Trust for:</i>		
Scholarships	59,569	0
Other Individuals and Organizations	<u>3,839</u>	<u>0</u>
<i>Total Net Assets</i>	<u>\$63,408</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Statement of Change in Fiduciary Net Assets*

*Fiduciary Fund*

*For the Fiscal Year Ended June 30, 2005*

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	<u>Private Purpose Trust</u>
<b><u>Additions:</u></b>	
Gifts and Donations	\$6,872
Interest	<u>927</u>
<i>Total Additions</i>	7,799
<b><u>Deductions:</u></b>	
Payments in Accordance with Trust Agreements	<u>3,960</u>
<i>Change in Net Assets</i>	3,839
<i>Net Assets at Beginning of Year</i>	<u>59,569</u>
<i>Net Assets at End of Year</i>	<u><u>\$63,408</u></u>

See accompanying notes to the basic financial statements.

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**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the School District**

Career and Technology Education Centers of Licking County (the Education Center) 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. The Career and Technology Education Centers of Licking County has ten participating districts spread throughout Licking and Knox Counties, which include two city school districts, seven local school districts and one exempted village school district.

The Education Center operates under a seven-member Board of Education and is responsible for the provision of public education to residents of the Education Center. The Board of Education of the Education Center 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. The Education Center is staffed by 49 non-certificated employees and 98 certificated full-time teaching personnel who provide services to 689 students and other community members. The Education Center 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 the Education Center consists of all funds, departments, boards, and agencies that are not legally separate from the Education Center. For Career and Technology Education Centers of Licking County, this includes general operations, student guidance, education media care, upkeep of grounds and buildings, food service, student related activities and adult education of the Education Center.

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

The Education Center 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.

The Education Center serves as the fiscal agent for the Licking Area Computer Association, but the organization is not considered a part of the Career and Technology Education Centers of Licking County. Accordingly, the activity of the organization is presented as an agency fund within the Education Center's basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Education Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Education Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities and enterprise funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the Education Center's accounting policies are described below.

**A. Basis of Presentation**

The Education Center'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 the Education Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Education Center that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the Education Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Education Center's governmental activities and business-type 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 the Education Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Education Center.

**Fund Financial Statements**

During the year, the Education Center 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 the Education Center at this more detailed level. The focus of governmental and enterprise 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**

The Education Center 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 the Education Center fall within three categories: governmental, proprietary and fiduciary.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

**Governmental Funds**

Governmental funds are those through which most governmental functions of the Education Center 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 the Education Center's major governmental funds:

**General Fund**- This fund is the operating fund of the Education Center 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 the Education Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

**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 the Education Center, 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 the Education Center account for grants and other resources of the Education Center whose use is restricted to a particular purpose.

**Proprietary Funds**

The focus of proprietary funds is on the determination of the change in net assets, financial position and cash flows. The Education Center's proprietary funds are classified as enterprise. Enterprise funds may be used to account for any activities for which a fee is charged to external users for goods or services.

The following is the Education Center's only major proprietary fund:

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

The other enterprise fund of the Education Center accounts for transactions made in connection with rotary accounts that are maintained for the vocational education classes.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Education Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Education Center's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Education Center's fiduciary funds are private purpose trust fund and agency funds. The Education Center's private purpose trust fund is established to account for assets used for college scholarships for students and student fees and tuition at the Education Center. The Education Center's agency funds are used to account for assets held for PELL grants, the Licking Area Computer Association for which the Education Center 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 the Education Center are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund 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.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Education Center finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

**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 and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and 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 the Education Center, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the Education Center 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 the Education Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Education Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at 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, 2005, but which were levied to finance fiscal year 2006 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.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The 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. The Education Center 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 the Education Center 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 2005.

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 2005.

**F. Cash and Cash Equivalents**

To improve cash management, cash received by the Education Center is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the Education Center 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 2005, the Education Center'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.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

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 2005 amounted to \$133,963, which includes \$1,137 assigned from other Education Center funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Education Center 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, 2005, 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**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

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. The Education Center increased its capitalization threshold from one thousand to five thousand dollars. (See Note 3) The Education Center 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 and business-type activities:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	8 years

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The Education Center had a \$47,566 internal balance which was due to an advance from the General Fund to the Adult Education Fund.

**J. Compensated Absences**

The Education Center 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 the Education Center will compensate the employees for the benefits through paid time off or some other means. The Education Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Education Center 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 the Education Center's termination policy. The Education Center records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 10 years of service with the Education Center.

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

For the governmental funds, 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. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**K. Accrued Liabilities and Long-Term Liabilities**

All payables, accrued liabilities and long-term liabilities are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term liabilities payable from proprietary funds are reported on the proprietary fund 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.



**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

**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 the Education Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

**M. Fund Balance Reserves**

The Education Center 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.

**N. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Education Center, these revenues are tuition, classroom fees and charges for services for the rotary activity and adult education programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of that fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

**O. Interfund Transactions**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one 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 after nonoperating revenue/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

**P. 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 ADJUSTMENTS AND NEW GASB PRONOUNCEMENT**

**Prior Period Adjustment**

**Restatement of Net Assets**

During 2005, the Education Center increased their capitalization threshold from \$1,000 to \$5,000 and corrected various reporting errors which resulted in a restatement of the June 30, 2004 capital asset balances.

	Governmental Activities	Adult Education	Business-Type Activities
Net Assets at June 30, 2004	\$14,517,452	\$532,089	\$702,323
Overstatement of Capital Assets	(1,437,873)	(106,712)	(106,712)
Adjusted Net Assets at June 30, 2004	<u>\$13,079,579</u>	<u>\$425,377</u>	<u>\$595,611</u>

**New GASB Pronouncement**

For fiscal year 2005, the Education Center implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures." The implementation of GASB Statement No. 40 had some effect on the disclosures requirements, however, there was no effect on the prior period fund balances of the District.

The District's 2005 basic financial statements reflect prior period adjustments to the General Fund and Other Governmental Fund balances to properly reflect the District's obligation for contractually obligated pension liabilities, in accordance with GASB Technical Bulletin NO. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*, issued in December 2004. GASB Technical Bulletin No. 2004-2 establishes new guidance addressing the amount that should be recognized as expenditures/expenses and as liabilities each period by employers participating in costsharing multiple-employer pension and other postemployment benefit plans. The implementation of this bulletin did not result in any change to the Education Center's financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The following funds had deficit fund balances/net assets as of June 30, 2005:

<i>Nonmajor Special Revenue Funds:</i>	
Post Secondary Vocational Education	(\$20,030)
Networking Tech Prep FY01	(68,245)
Miscellaneous State Grants	(4)
Adult Basic Education	(96,890)
Vocational Education	(90,601)
Title VI	(5,088)
Reducing Class Size	(5,219)

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, 2005.

**B. Compliance**

**Negative Fund Balance**

Ohio Revised Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit balance in any fund indicates that the money from another fund or funds has been used to pay the obligations of the fund or funds carry the deficit balance.

The Education Center had several funds during the fiscal year that had negative fund balances indicating that money from one fund was used to cover the expenses of another fund. The following funds had significant negative fund balances in the district's accounting records at different points throughout the year:

Bond Retirement Fund	(\$333,792)
Adult Education Fund	(55,747)
<i>Nonmajor Special Revenue Funds:</i>	
Post Secondary Vocational Education	(1,222)
Management Information System	(3,771)
IVDL Round 2 Grant	(4,250)
Networking Tech Prep	(72,274)
Adult Basic Education	(29,408)
Vocational Education	(226,933)

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE** - (Continued)

The Education Center will more closely monitor the fund balances in the future, and make advances when necessary prior to any fund deficits.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the Education Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance.
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.

<u>Net Change in Fund Balance</u>	
Budget Basis	(\$1,065,201)
<i>Adjustments:</i>	
Revenue Accruals	6,936
Expenditure Accruals	160,647
Encumbrances	591,591
Other Sources (Uses)	252,722
GAAP Basis	<u><u>(\$53,305)</u></u>

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board 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 the Education Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 6 - DEPOSITS AND INVESTMENTS** - (Continued)

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 the Education Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or 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."

At fiscal year end, the Education Center had \$3,850 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, 2005, the carrying amount of all District deposits was (\$1,965,170), exclusive of the \$2,724,845 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, 2005, \$15,190 of the District's bank balance of \$115,190 was exposed to custodial risk as discussed above while \$100,000 was covered by Federal Deposit Insurance. The \$15,190 exposed to custodial risk was collateralized with securities held by the District or its agency in the District's name.

**Investments:** As of June 30, 2005, the district had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 Months or Less</u>
U.S. Government Securities	\$25,156,817	\$25,156,817
Repurchase Agreements	2,724,845	2,724,845
Totals	<u>\$27,881,662</u>	<u>\$27,881,662</u>

**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.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 6 - DEPOSITS AND INVESTMENTS** - (Continued)

Interest Rate Risk: The Education Center'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 the Education Center, 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: 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. The Education Center has no investment policy that would further limit its investment choices.

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the Education Center 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 the Education Center's name. The Education Center has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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	\$25,920,342	\$0
Cash on Hand	(3,850)	0
<i>Investments:</i>	0	0
U.S. Government Securities	(25,156,817)	25,156,817
Repurchase Agreements	(2,724,845)	2,724,845
GASB Statement No. 3	<u>(\$1,965,170)</u>	<u>\$27,881,662</u>

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**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 in the Education Center. 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.

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.

The Education Center receives property taxes from both Licking County and Knox County. The County Auditor from each county periodically advances to the Education Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005 are available to finance fiscal year 2005 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 2005 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2005. 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, 2005 was \$1,152,567 and is recognized as revenue. Of this total amount, \$768,378 was available to the General Fund and \$384,189 was available to the Bond Retirement Fund.



**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 7 - PROPERTY TAXES** - (Continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second-Half Collections		2005 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,801,516,530	88.19%	\$2,927,634,650	88.86%
Public Utility Personal	132,174,720	4.16%	130,935,680	3.97%
Tangible Personal Property	243,031,600	7.65%	236,434,730	7.17%
Total Assessed Value	<u>\$3,176,722,850</u>	<u>100.00%</u>	<u>\$3,295,005,060</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$3.00		\$3.00	

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2005 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:

	Governmental Activities
<i>Nonmajor Special Revenue Funds:</i>	
Post Secondary Vocational Education	\$20,030
Networking Tech Prep	33,144
Adult Basic Education	111,267
Vocational Education	112,830
Title VI	5,086
Drug Free Schools	1,494
Reducing Class Size	6,033
Total	<u>\$289,884</u>

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 9 - CAPITAL ASSETS**

Capital asset governmental activity for the fiscal year ended June 30, 2005 was as follows:

Asset Category	Restated Balance at July 1, 2004	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2005
<b>Governmental Activities</b>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$242,114	\$0	\$0	\$242,114
Construction in Progress	5,367,447	17,142,691	0	22,510,138
Total Nondepreciable Capital Assets	5,609,561	17,142,691	0	22,752,252
<i>Depreciable Capital Assets:</i>				
Land Improvements	511,191	0	0	511,191
Buildings and Improvements	7,040,734	0	0	7,040,734
Furniture, Fixtures and Equipment	1,499,448	492,310	0	1,991,758
Vehicles	0	23,725	0	23,725
Total Depreciable Capital Assets	9,051,373	516,035	0	9,567,408
Total Capital Assets	14,660,934	17,658,726	0	32,319,660
<i>Accumulated Depreciation:</i>				
Land Improvements	(637,832)	(33,934)	0	(671,766)
Buildings and Improvements	(4,546,638)	(195,661)	0	(4,742,299)
Furniture, Fixtures and Equipment	(992,183)	(68,354)	0	(1,060,537)
Vehicles	0	(1,582)	0	(1,582)
Total Accumulated Depreciation	(6,176,653)	(299,531)	0	(6,476,184)
Governmental Activities Capital Assets, Net	<u>\$8,484,281</u>	<u>\$17,359,195</u>	<u>\$0</u>	<u>\$25,843,476</u>

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 9 - CAPITAL ASSETS** - (Continued)

Depreciation expense was charged to governmental functions as follow:

<b>Governmental Activities</b>	
<i>Instruction:</i>	
Vocational	\$277,299
Adult/Continuing	1,634
<i>Support Services:</i>	
Pupils	4,722
Administration	475
Fiscal	3,609
Operation and Maintenance of Plant	2,497
Central	9,295
	<hr/>
Governmental Activities Depreciation Expense	<u><u>\$299,531</u></u>

Capital asset business-type activity for the fiscal year ended June 30, 2005 was as follows:

Asset Category	Restated Balance at July 1, 2004	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2005
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Business-Type Activities</b>				
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	\$849,807	\$0	\$0	\$849,807
Furniture, Fixtures and Equipment	64,588	0	0	64,588
Total Depreciable Capital Assets	914,395	0	0	914,395
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(609,027)	(28,326)	0	(637,353)
Furniture, Fixtures and Equipment	(32,305)	(4,485)	0	(36,790)
Total Accumulated Depreciation	(641,332)	(32,811)	0	(674,143)
Business-Type Activities Capital Assets, Net	<u><u>\$273,063</u></u>	<u><u>(\$32,811)</u></u>	<u><u>\$0</u></u>	<u><u>\$240,252</u></u>

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 10 - RISK MANAGEMENT**

The Education Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2005, the Education Center contracted with Harcum-Hyre Insurance for property insurance, fleet insurance and liability insurance. Coverages provided are as follows:

Building and Contents - replacement cost (90% co-insurance)	\$19,051,210
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

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 2005, the Education Center 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 the Education Center 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**

The Education Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 (614) 222-5853.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the Education Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Education Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57 percent of the annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent 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. The Education Center's contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$305,317, \$264,135, and \$212,387, respectively; 50.75 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$150,360 representing the unpaid contribution for fiscal year 2005, is recorded as a liability.

**State Teachers Retirement System**

The Education Center 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.

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.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary. The Education Center 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. The Education Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$777,352, \$691,506, and \$657,455, respectively; 85.58 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$112,092 representing the unpaid contribution for fiscal year 2005, is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2005 were \$19,140 made by the Education Center and \$19,096 made by the plan members.

**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, 2005, no members of the Board of Education have elected Social Security.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

The Education Center 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 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the Education Center, this amount equaled \$59,796 during fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 (the latest information year available), the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and there were 111,853 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.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 12 - POSTEMPLOYMENT BENEFITS** - (Continued)

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, 2005, employer contributions to fund health care benefits were 4.91 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 2005, the minimum pay has been established at \$27,400. 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.

The target level for the health care reserve is 150 percent of annual health care expenses. For fiscal year ended June 30, 2004 (latest information available), expenses for health care were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. The number of participants currently receiving health care benefits is approximately 62,000. For the Education Center, the amount to fund health care benefits, including the surcharge, equaled \$141,826 during the 2004 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. The Education Center also credits one day for every year of experience, beyond ten years, with the Education Center.

**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 the Education Center 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.

The Education Center provides life insurance and accidental death and dismemberment insurance to all employees through Conesco Variable Insurance Company, in the amount of \$50,000 for all employees.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 14 - LONG-TERM LIABILITIES**

The changes in the Education Center's long-term liabilities during fiscal year 2005 were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2004	Additions	Deletions	Principal Outstanding at June 30, 2005	Amount Due in One Year
<b>Governmental Activities:</b>							
Energy Conservation Note	1999	5.24%	\$732,775	\$0	\$107,082	\$625,693	\$112,693
General Obligation Bonds	2002	2.00 - 5.375%	33,485,000	0	1,515,000	31,970,000	1,635,000
Construction Loan	2004	0.00%	500,000	0	33,333	466,667	33,333
<i>Add Deferred Amounts:</i>							
Issuance Premium on Bonds	N/A	N/A	677,328	0	33,866	643,462	33,866
Compensated Absences	N/A	N/A	893,717	331,782	530,920	694,579	124,786
Total Governmental Activities Long-Term Liabilities			<u>\$36,288,820</u>	<u>\$331,782</u>	<u>\$2,220,201</u>	<u>\$34,400,401</u>	<u>\$1,939,678</u>

*Energy Conservation Note* - On October 15, 1999, Career and Technology Education Centers of Licking County issued an unvoted general obligation note for the purpose of installing energy conservation improvements for the Education Center, 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.

*General Obligation Bonds* - In December 2002, Career and Technology Education Centers of Licking County 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, Career and Technology Education Centers of Licking County 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.

The compensated absences of the governmental activities are paid from the fund from which the respective employees' salaries are paid. Most of the Education Center's employees of the governmental activities are paid from the General Fund.



**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 14 - LONG-TERM LIABILITIES** - (Continued)

	Principal Outstanding at July 1, 2004	Additions	Deletions	Principal Outstanding at June 30, 2005	Amount Due in One Year
<u>Business-Type Activities:</u>					
Compensated Absences	\$69,278	\$41,892	\$51,197	\$59,973	\$29,258

The compensated absences of the business-type activities are paid from the fund which the respective employees' salaries are paid. All of the Education Center's employees of the business-type activities are paid from the Adult Education Fund.

The Education Center's overall legal debt margin was \$264,580,455, with an unvoted debt margin of \$2,828,338 and an energy conservation debt margin of \$29,029,353 at June 30, 2005.

Principal and interest requirements to retire the energy conservation note, general obligation bonds and construction loan outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Energy Conservation Note	General Obligation Bonds	Construction Loan	Total
2006	142,527	3,113,618	33,333	3,289,478
2007	142,372	3,321,661	33,334	3,497,367
2008	142,210	3,397,224	33,333	3,572,767
2009	142,038	3,495,349	33,333	3,670,720
2010	141,858	1,897,279	33,333	2,072,470
2011-2015	0	10,366,722	166,667	10,533,389
2016-2020	0	12,031,795	133,334	12,165,129
2021-2024	0	11,088,773	0	11,088,773
Total Debt Payments	711,005	48,712,421	466,667	49,890,093
Less: Interest	85,312	16,742,421	0	16,827,733
Total Principal	\$625,693	\$31,970,000	\$466,667	\$33,062,360

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 15 - INTERFUND ACTIVITY**

As of June 30, 2005, the Education Center had interfund transactions as follows:

Transfers From	Transfers To Nonmajor Special Revenue Funds
General	\$57,529

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.

**NOTE 16 - STATUTORY SET-ASIDES**

The following changes occurred in the Education Center's set-aside reserve accounts during fiscal year 2005:

	Textbooks	Capital Improvements	Totals
Set-Aside Reserve Balance as of July 1, 2004	(\$146,810)	(\$3,447,771)	(\$3,594,581)
Current Year Set-Aside Requirement	91,885	91,885	183,770
Qualifying Disbursements	(653,673)	(14,999,178)	(15,652,851)
Totals	(708,598)	(18,355,064)	(19,063,662)
Set-Aside Balance Carried Forward to Future Fiscal Years	(\$708,598)	(\$18,355,064)	(19,063,662)
Set-Aside Reserve Balance as of June 30, 2005	\$0	\$0	\$0

The Education Center 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. Each reserve must be represented by restricted cash at year-end and carried forward to be used for the same purposes in future years.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 17 - CONTRACTUAL COMMITMENTS**

As of June 30, 2005, the Education Center had contractual commitments related to the construction of new facilities. The amount for each contractor is as follows:

<u>Contractor</u>	<u>Purchase Commitments</u>	<u>Amounts Paid as of June 30, 2005</u>	<u>Amounts Remaining on Contracts</u>
Kimble Architects	\$3,942,935	\$3,364,073	\$578,862
Clagget and Sons, Inc.	19,728,000	11,392,149	8,335,851
General Temperature Control, Inc.	2,093,000	1,379,624	713,376
Gutridge Plumbing, Inc.	4,448,030	2,085,827	2,362,203
Claypool Electric, Inc.	3,989,000	1,688,436	2,300,564
Total	<u>\$34,200,965</u>	<u>\$19,910,109</u>	<u>\$14,290,856</u>

**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. The Education Center 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.

The Career and Technology Education Centers of Licking County 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. The Education Center made payments of \$75,659 to LACA in fiscal year 2005.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 19 - INSURANCE PURCHASING POOL**

**Ohio School Boards Association Worker's Compensation Group Rating Plan**

The Education Center 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**

The Education Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Education Center at June 30, 2005.

**NOTE 21 - SUBSEQUENT EVENTS**

The Education Center is completing a renovation and addition to its main campus. On February 16, 2006, the Education Center terminated its contract with the general trades contractor for a building project. As a result, several prime contractors have filed claims against the Education Center in the aggregate amount of \$2,820,144. Settlement discussions with these contractors are ongoing.

Furthermore, on April 11 the general contractor filed a suit against the Education Center and the project manager in the Licking County Court of Common Pleas. Due to the timing of this developing lawsuit, the final outcome cannot be determined at this time.

**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
Federal Pell Grant Program	N/A	84.063	\$ 57,485	\$ 52,376
<i>Passed Through Ohio Department of Education:</i>				
Adult Education- State Grant Program (IDEA Part B)	AB-S1-2004	84.002	12,099	30,320
	AB-S1-2005		5,300	116,053
	AB-S2-2004		-	17,777
	AB-S2-2005		<u>30,724</u>	<u>15,291</u>
Total Adult Education- State Grant Program			<u>48,123</u>	<u>179,441</u>
Vocational Education- Basic Grants to States	C2-2004	84.048	7,513	475
	C2-2005		6,392	62,822
	20-C1-2004		-	21,692
	20-C1-2005		300,570	346,970
	A5-2004		18,980	7,500
	A5-2005		<u>1,000</u>	<u>11,000</u>
Total Vocational Education- Basic Grants to States			<u>334,455</u>	<u>450,459</u>
Safe and Drug Free Schools and Communities - State Grants	DR-S1-2004	84.186	1,292	1,278
	DR-S1-2005		166	1,660
Total Safe and Drug Free Schools and Communities - State Grants			<u>1,458</u>	<u>2,938</u>
State Grants for Innovative Programs	C2SI-2004	84.298	1,155	3,029
	C2SI-2005		299	5,385
Total State Grants for Innovative Programs			<u>1,453</u>	<u>8,414</u>
Improving Teacher Quality State Grants	TR-S1-2004	84.367	1,419	1,610
	TR-S1-2005		407	6,440
Total Improving Teacher Quality State Grants			<u>1,826</u>	<u>8,050</u>
Total U.S. Department of Education			<u>444,800</u>	<u>701,678</u>
<b>Totals</b>			<u>\$ 444,800</u>	<u>\$ 701,678</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, 2005**

**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.



## **Auditor of State Betty Montgomery**

### **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, the business-type 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, 2005, which collectively comprise the Center's basic financial statements and have issued our report thereon dated April 17, 2006, wherein we noted the Center increased its threshold for capitalization of capital assets and corrected prior reporting errors. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Center's management dated April 17, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Center's management dated April 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

**Betty Montgomery**  
Auditor of State

April 17, 2006





## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 the 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 its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal program. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 its major federal program for the year ended June 30, 2005.

#### **Internal Control Over Compliance**

The Center's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the Center's management in a separate letter dated April 17, 2006.

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

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

**Betty Montgomery**  
Auditor of State

April 17, 2006

**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

**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 weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions 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 weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions 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?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Adult Education – State Grant Program CFDA #84.002
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**FINDING NUMBER 2005-001**

**Negative Fund Balances**

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit balance in any fund indicates that the money from another fund or funds has been used to pay the obligations of the fund or funds carry the deficit balance.

**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

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

**FINDING NUMBER 2005-001 (Continued)**

**Negative Fund Balances (Continued)**

The Center had several funds during the fiscal year that had negative fund balances indicating that money from one fund was used to cover the expenses of another fund. The following funds had significant negative fund balances in the Center's accounting records at different points throughout the year:

<b>Fund</b>	<b>Maximum Negative Fund Balance</b>
002 – Bond Retirement	(\$333,792)
012 – Adult Education	(\$55,747)
413 – Post Secondary Education	(\$1,222)
432 – Management Info. System	(\$3,771)
458 - IDVL Grant	(\$4,250)
461 – Networking Tech Prep	(\$72,274)
501 – Adult Basic Education	(\$29,408)
524 – Vocational Education	(\$226,933)

Negative fund balances could result in difficulties monitoring the Center's budget, and potential cash flow problems.

We recommend that the Treasurer review cash fund balances of all funds on a periodic basis. If advances or transfers from the General Fund are needed to cover cash flow problems, the Treasurer should seek a board resolution to cover any cash shortfalls in a timely manner

**Client's Response**

Several times throughout the year grant funds and the Adult Education fund will have a negative cash balance due to outstanding reimbursements and accounts receivables. To prevent negative cash balances money should be advanced from the General Fund prior to having negative cash balances. The Center monitors these funds throughout the year; however instead of making several advances and return of advances the Center finds it more reasonable and efficient to do one advance at the end of the fiscal year for those funds that still have a negative cash balance and one return of advance once all reimbursable money has been received. To strive to be in compliance but also maintain efficiency the Center will change the timing of the advance to the beginning of the fiscal year to all grant funds and the Adult Education fund and one return of advance once all monies have been received.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None**



**Auditor of State  
Betty Montgomery**

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## **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  
JUNE 15, 2006**