Tolles Career & Technical Center

Madison County, Ohio

Basic Financial Statements
and Independent Auditor's Reports

June 30, 2007

Kennedy Cottrell Richards

Mary Taylor, CPA
Auditor of State

Tolles Career & Technical Center
7877 US Highway 42 South
Plain City, Ohio 43064-9554

We have reviewed the *Independent Auditor's Report* of the Tolles Career & Technical Center, Madison County, prepared by Kennedy, Cottrell & Associates, LLC for the audit period July 1, 2006 to June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Tolles Career & Technical Center is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 16, 2007

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

TABLE OF CONTENTS

This Page is Intentionally Left Blank.

383 North Front Street
Columbus, Ohio 43215

Kennedy Cottrell Richards

Phone: 614.358.4682
Fax: 614.888.8634
www.kcr-cpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Education
Tolles Career & Technical Center
7877 US Highway 42 South
Plain City, Ohio 43064

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Center as of June 30, 2007, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standard*s, we have also issued our report dated December 13, 2007 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards
December 13, 2007

THIS PAGE INTENTIONALLY LEFT BLANK

Tolles Career and Technical Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

The discussion and analysis of the Tolles Career and Technical Center (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

Overall:

- Total net assets in Governmental Activities were $18,990,182, an increase of $191,233 from the comparable amount at June 30, 2006.
- The General Fund reported a positive fund balance of $9,027,636 according to the Balance Sheet.
- At June 30, 2007 the District had no outstanding debt.
- In the current fiscal year the Madison County Budget Commission approved the reinstatement of the portion of the Center's effective millage which was temporarily reduced in January, 2003. Effective January 1, 2007, the Center's effective property tax millage was increased from .5 mills to 1.3 mills. This reinstatement of millage resulted in an increase in property tax revenue of approximately $3.1 million in 2007.

Using this Annual Financial Report

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

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in a single column. In the case of the District, the general fund is by far the most significant fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the *Statement of Net Assets and the Statement of Activities,* the District reports on the following activity type:

- Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental fund is the General Fund.

Governmental Funds: The District's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. The District's basic services are reported in these funds and focus on how money flows into and out of those funds as well as the balances available for spending at fiscal year end. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's operations. 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 the governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-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 help make this comparison between governmental funds and governmental activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

The District as a Whole

The District financial health continues to be demonstrated by its ability to fund new programs as the needs arise. In 2007, the District expended approximately $1.3 million more than it expended in 2006 on new and continuing programs. The Districts Net Asset balance at June 30, 2007 was $19.0 million, with $8.7 million in unrestricted net assets available to meet future District obligations.

Net Assets - Governmental Activities

	2007	2006
Current assets	$ 16,616,987	$ 14,012,034
Capital assets	9,117,921	8,331,105
Total assets	25,734,908	22,343,139
Current liabilities	6,187,448	3,050,335
Long-term liabilities	557,278	493,855
Total liabilities	6,744,726	3,544,190
Net Assets:		
Invested in capital, net of debt	9,017,292	8,297,387
Restricted	1,224,800	561,646
Unrestricted	8,748,090	9,939,916
Total net assets	$ 18,990,182	$ 18,798,949

Current assets increased primarily due to the reinstatement in 2007 of the effective tax millage as discussed above. Capital Assets increased due to the purchase of capital items for new and existing programs.

Total liabilities increased approximately $3.2 million at June 30, 2007 as compared to the amount reported at June 30, 2006 due to the increase in millage, the impact of normal salary increases on accrued wages, and an increase in accounts payable related to the start of a major construction project as discussed futher in the debt section of this letter.

Tolles Career and Technical Center
Management's Discussion and Analysis, Continued
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Change in Net Assets - Governmental Activities

	2007	2006
Program revenues:		
Charges for services	$ 483,438	$ 354,935
Operating grants	475,772	479,290
General revenues:		
Property taxes	7,156,838	2,898,969
Grants and entitlements	2,543,130	2,317,650
Other	684,971	744,224
Total revenues	11,344,149	6,795,068
Program expenses:		
Instructional:		
Regular	1,459,805	1,267,036
Special	667,360	519,789
Vocational	3,810,722	3,982,085
Adult/Continuing	250,069	186,558
Other	91,428	142,862
Support services:		
Pupils	1,015,847	856,158
Instructional staff	799,023	747,202
Board of education	67,376	51,400
Administration	993,680	848,487
Fiscal	279,938	246,159
Operation & maintenance of plant	1,306,965	1,246,249
Pupil transportation	14,709	14,873
Central	169,922	114,093
Operation of non-instructional services	195,328	214,180
Extra-curricular activities	27,172	24,382
Interest on capital lease	3,572	4,188
Total expenses	11,152,916	10,465,701
Decrease in Net Assets	$ 191,233	$ (3,670,633)

Property taxes and grants and entitlement represent 85.5 percent of total District revenues. Program revenues for governmental activities are 8.5 percent of total revenues and are primarily represented by charges for tuition and fees and restricted intergovernmental revenues.

The major program expense for governmental activities is for instruction, which is 56.3 percent of all governmental expenses. Total District expenses in 2007 were $0.7 million higher than 2006 expenses. In fiscal 2007 a part-time marketing recruiter was made full-time, 2.3 instructional aides and one science teacher were added to meet the needs of increased enrollment.

Governmental Activities

The table below indicates the total cost of services and the net cost of services for the governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlement.

	Total Cost of Services		Net Cost of Service	
Programs	2007	2006	2007	2006
Instruction	$ 6,279,384	$ 6,098,330	$ 5,601,390	$ 5,567,948
Support services:				
Pupil and instructional staff	1,814,870	1,603,360	1,784,595	1,566,178
Board of education, administration, fiscal and business	1,340,994	1,146,046	1,340,994	1,146,046
Operation & maintenance of plant	1,306,965	1,246,249	1,306,965	1,246,249
Pupil transportation	14,709	14,873	14,709	14,873
Central	169,922	114,093	166,922	111,093
Operation of non-instructional services	195,328	214,180	(52,613)	(49,481)
Extracurricular activities	27,172	24,382	27,172	24,382
Interest on capital lease	3,572	4,188	3,572	4,188
Total	$ 11,152,916	$ 10,465,701	$10,193,706	$ 9,631,476

Of the total revenues for governmental activities 63 percent comes from local taxes, while 22 percent comes from state entitlements.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $11,311,912 and expenditures of $11,986,188 in 2007. The net change in fund balance for the year was most significant in the General Fund, where the fund balance decreased by $1,234,536.

General Fund Budgeting Highlights

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

During the course of fiscal 2007, the District amended its general fund budget as needed.

Final budgeted expenditures in the amount of $15,661,310 were $4,768,515 above actual expenditures. The District generally over appropriates in case unexpected expenditures arise during the fiscal year. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were $10,892,795, $2,511,011 below revenues.

Capital Assets

At the end of fiscal 2007, the District had $9,117,921 invested in land, construction, buildings, equipment, and vehicles (net of accumulated depreciation); all in governmental activities. Beginning in late fiscal 2007 the District began a major construction project that is to be funded by the subsequent issuance of $6.5 million various purpose general obligation bonds. See Debt below.

Note 6 provides additional details regarding capital assets.

Debt

On September 27, 2007 the Board of Education issued $6,590,000 in un-voted general obligations bonds for the purpose of renovating, constructing and improving the existing school facilities. $650,000 of these bonds are for the purchase and installation of energy conservation measures.

Current Issues

The District remains stable in a declining economy and uncertainty in State funding. The District covers a diverse area that includes suburban residential areas as well as farming communities in Franklin, Madison, Union, Delaware and Fayette Counties.

The District has maintained an excellent financial position over the last 30 years. In 1972, a 1.8 mill continuing levy was passed. Because of significant growth in the District over the years the millage had been reduced. The last reduction was from 1.1 mill to .5 mill effective January 1, 2003. Effective January 1, 2007, the Center's effective property tax millage was increased from .5 mills to 1.3 mills. This reinstatement of millage resulted in an increase in property tax revenue of approximately $4.2 million in 2007.

Contacting the District's Financial Office

This financial report is designed to provide our citizens, tax payers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for monies it receives. Questions concerning any information in this report or request for additional information should be directed to Pamela J. Orr, Treasurer, 7877 US Highway 42 South, Plain City, Ohio 43064.

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

Tolles Career and Technical Center

Statement of Net Assets

June 30, 2007

		GOVERNMENTAL ACTIVITIES
ASSETS		
Equity in pooled cash & investments	$	8,347,845
Materials and supplies inventory		61,698
Accounts receivable		147,725
Due from other governments		92,595
Prepaid items		9,148
Property taxes receivable		7,957,976
Nondepreciable capital assets		840,719
Depreciable capital assets, net		8,277,202
TOTAL ASSETS	$	25,734,908
LIABILITIES		
Accounts payable	$	123,505
Accrued wages		782,664
Due to other governments		134,368
Unearned revenue		5,146,911
Long-term Liabilities:		
Due within one year		54,325
Due in more than one year		502,953
TOTAL LIABILITIES		6,744,726
NET ASSETS		
Invested in capital assets, net of related debt		9,017,292
Restricted for:		
Capital projects funds		1,256,064
Other purposes		(31,264)
Unrestricted		8,748,090
TOTAL NET ASSETS	$	18,990,182

The notes to the financial statements are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

Tolles Career and Technical Center

Statement of Activities

For the Fiscal Year Ended June 30, 2007

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities				
Instructional services:				
Regular	$ 1,459,805	-	17,493	(1,442,312)
Special	667,360	-	329,444	(337,916)
Vocational	3,810,722	274,612	17,187	(3,518,923)
Adult/Continuing	250,069	-	39,258	(210,811)
Other	91,428	-	-	(91,428)
Support services:				
Pupils	1,015,847	-	15,133	(1,000,714)
Instructional staff	799,023	-	15,142	(783,881)
Board of education	67,376	-	-	(67,376)
Administration	993,680	-	-	(993,680)
Fiscal	279,938	-	-	(279,938)
Operation & maintenance of plant	1,306,965	-	-	(1,306,965)
Pupil transportation	14,709	-	-	(14,709)
Central	169,922	-	3,000	(166,922)
Operation of Non-Instructional services	195,328	208,826	39,115	52,613
Extracurricular student activities	27,172	-	-	(27,172)
Interest on capital leases	3,572	-	-	(3,572)
Totals	$ 11,152,916	483,438	475,772	(10,193,706)

General revenues:	
Property taxes levied for -	
General purposes	7,156,838
Grants and entitlements not restricted to specific programs	2,543,130
Investment earnings	484,531
Miscellaneous	200,440
Total general revenues	10,384,939
Change in Net Assets	191,233
Net Assets Beginning of Year	18,798,949
Net Assets End of Year	18,990,182

The notes to the financial statements are an integral part of this statement.

Tolles Career and Technical Center
Balance Sheet
Governmental Funds
June 30, 2007

		General	Other Governmental Funds	Total
ASSETS				
Equity and Pooled Cash and Cash Equivalents	$	6,926,318	1,421,527	8,347,845
Materials and supplies inventory		56,682	5,016	61,698
Accounts receivable		132,931	14,794	147,725
Interfund receivable		119,462	-	119,462
Intergovernmental receivable		-	92,595	92,595
Prepaid items		9,148	-	9,148
Property taxes receivables		7,776,565	181,411	7,957,976
TOTAL ASSETS	$	15,021,106	1,715,343	16,736,449
LIABILITIES				
Accounts payable	$	53,640	69,865	123,505
Accrued wages		703,927	78,737	782,664
Intergovernmental payables		112,606	21,762	134,368
Interfund payable		-	119,462	119,462
Unearned revenue		5,115,311	181,411	5,296,722
Compensated absences		7,986	-	7,986
TOTAL LIABILITIES		5,993,470	471,237	6,464,707
FUND BALANCES				
Reserved for encumbrances		414,979	1,244,700	1,659,679
Reserved for inventory		56,682	5,016	61,698
Reserved for future appropriations		2,661,254	-	2,661,254
Unreserved, reported in:				
General fund		5,894,721	-	5,894,721
Special Revenue funds		-	(28,835)	(28,835)
Capital Projects funds		-	23,225	23,225
TOTAL FUND BALANCES		9,027,636	1,244,106	10,271,742
TOTAL LIABILITIES & FUND BALANCES	**$**	15,021,106	1,715,343	16,736,449

The notes to the financial statements are an integral part of this statement.

Tolles Career and Technical Center

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007

Total Governmental Fund Balances		$ 10,271,742
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds.		9,117,921
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		149,811
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
	Compensated absences	(448,663)
	Capital lease obligations	(100,629)
Net Assets of Governmental Activities		$ 18,990,182

The notes to the financial statements are an integral part of this statement.

Tolles Career and Technical Center

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

		General	Other Governmental Funds	Total
REVENUES:				
Taxes	$	7,124,601	-	7,124,601
Intergovernmental		2,513,292	505,610	3,018,902
Interest		484,217	314	484,531
Tuition and fees		86,871	187,741	274,612
Charges for services		-	208,826	208,826
Miscellaneous		176,984	23,456	200,440
TOTAL REVENUES		10,385,965	925,947	11,311,912
EXPENDITURES:				
Current:				
Instructional services:				
Regular		1,571,731	21,148	1,592,879
Special		345,462	316,776	662,238
Vocational		3,549,666	85,840	3,635,506
Adult/Continuing		-	249,732	249,732
Other instruction		91,428	-	91,428
Support services:				
Pupils		996,563	13,989	1,010,552
Instructional staff		758,445	17,560	776,005
Board of education		67,376	-	67,376
Administration		701,731	276,184	977,915
Fiscal		296,263	-	296,263
Operation & maintenance of plant		1,320,686	-	1,320,686
Pupil transportation		14,709	-	14,709
Central		166,783	3,000	169,783
Operation of Non-Instructional services		-	199,168	199,168
Extracurricular		26,688	-	26,688
Debt service:				
Principal repayment		34,982		34,982
Interest		3,572		3,572
Capital outlay		760,309	96,397	856,706
TOTAL EXPENDITURES		10,706,394	1,279,794	11,986,188
Excess (deficiency) of revenues over expenditures		(320,429)	(353,847)	(674,276)
OTHER FINANCING SOURCES (USES):				
Transfers in		-	1,016,000	1,016,000
Transfers out		(1,016,000)	-	(1,016,000)
Capital leases		101,893	-	101,893
TOTAL OTHER FINANCING SOURCES (USES)		(914,107)	1,016,000	101,893
NET CHANGE IN FUND BALANCES		(1,234,536)	662,153	(572,383)
FUND BALANCES AT BEGINNING OF YEAR		10,262,172	581,953	10,844,125
FUND BALANCE AT END OF YEAR	$	9,027,636	1,244,106	10,271,742

The notes to the financial statements are an integral part of this statement.

Tolles Career and Technical Center
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007

Net Changes in Fund Balances - Total Governmental Funds	$ (572,383)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	684,923
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	32,237
Repayment of lease payable is an expenditure in governmental fund, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.	34,982
Compensated absence expenses reported in the statement of activities do not required the use of current financial resources and therefore are not reported as expenditures in governmental funds.	11,474
Change in Net Assets of Governmental Activities	$ 191,233

The notes to the financial statements are an integral part of this statement.

Tolles Career and Technical Center
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

		Agency
ASSETS		
Equity in pooled cash and cash equivalents	$	9,534
Accounts receivable		2,132
TOTAL ASSETS		11,666
LIABILITIES		
Due to Others		11,666
TOTAL LIABILITIES	$	11,666

The notes to the financial statements are an integral part of this statement.

Note 1. Description of the School District and Reporting Entity

Reporting Entity

The Tolles Career and Technical Center (the Center) was organized in 1972 under Section 3311.18 of the Ohio Revised Code. The Center is a fiscally independent political subdivision of the State of Ohio. The Center is governed by a seven member Board of Education. Board of Education members are appointed from the membership of the following seven Boards of Education: Dublin City School District, Fairbanks Local School District, Hilliard City School District, Jefferson Local School District, Jonathan Alder Local School District, London City School District, and Madison-Plains Local School District. The Center had been supported by a 1.6 mill continuing operating levy passed in 1972 and by funds from the State of Ohio Joint Vocational School Foundation Program. At the request of the Center's Board of Education, the Madison County Commissioners reduced the Center's continuing operating mills to .5 mills effective January, 2003. On November 20, 2006, the Madison County Budget Commission agreed to reinstate the Center's millage to 1.3 mills effective January 1, 2007.

The Center provides job training leading to employment upon graduation from high school. The Center fosters cooperative relationships with business and industry, professional organizations, participating school districts, and other interested, concerned groups and organizations to consider, plan and implement education programs designed to meet the common needs and interests of students.

A reporting entity is composed of the stand-alone government, component units, and other organizations that are included to ensure the financial statements are not misleading. For reporting purposes, the Center consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the Center, this includes general operations, food service, continuing education and student related activities of the Center.

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

The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan, an insurance purchasing pool and with the Metropolitan Educational Council (MEC), a jointly governed organization. These organizations are presented in Notes 13 and 14 to the basic financial statements
.

Note 2. Summary of Significant Accounting Policies

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

A. Basis of Presentation

The Center's basic financial statements consist 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 Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

During the year, the Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Center at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

Governmental Fund Types

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

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

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

Fiduciary Fund Types

Fiduciary fund reporting focuses on net assets and changes in net assets. The Center's fiduciary fund is an agency fund. An agency fund is purely custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The Center's agency fund accounts for student activities and worker's compensation.

C. Measurement Focus/Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions

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

Nonexchange transactions, in which the Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance year 2008 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

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

Expenses/Expenditures

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

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

E. Cash and Investments

To improve cash management, cash received by the Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". During the fiscal year all investments were limited to certificates of deposit, repurchase agreements, the State Treasury Asset Reserve of Ohio (STAR Ohio) and federal agency securities.

Nonparticipating investment contracts such as repurchase agreements and non-negotiable certificates of deposit are reported at cost. Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007. For the Center, all investment earnings accrue to the General and Special Revenue Funds as authorized by board resolution.

Investments of the Center's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Center are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

F. Inventories

Inventories are presented at cost which is determined on a first-in, first-out basis. Inventory is recorded as an expenditure/expense when used.

Inventories consist of donated and purchased food, and supplies held for resale, and materials and supplies for consumption.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items.

H. Capital Assets

The Center's only capital assets are general capital assets used in governmental activities. 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 are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values on the date donated. The Center maintains capitalization at $300. The Center does not have any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Building and Building Improvements	15 – 30 years
Furniture and Fixtures	5 – 20 years
Vehicles	5 – 15 years
Equipment	6 – 20 years

I. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as interfund receivables/payables. Interfund balances within governmental activities are eliminated on the government wide statement of net assets.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate the employees for the benefits through paid time off or some other means. The 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 as well as those that are 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

Center's termination policy. The Center records a liability for accumulated unused sick leave for all employees after ten years of service.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Capital leases are recognized as a liability on the fund financial statements when due.

L. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Fund Balance Reserves and Designations

The Center reserves those portions of fund equity 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 balances are reserved for supplies inventory, encumbrances and future appropriations. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The Center is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

N. 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 balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

O. Estimates

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

Note 3. Cash and Investments

A. Cash

The investment and deposit of the Center's monies is governed by the provisions of the ORC. In accordance with these statutes, the Center is authorized to invest in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker acceptances; commercial paper notes rated prime and issued by United States corporations; repurchase agreements secured by United States obligations; and STAROhio. During fiscal year 2007, investments were limited to STAROhio, repurchase agreements, CDs, and federal agency securities. Earnings on investments are credited to the General Fund except earnings specifically related to the Capital Projects Fund, Food Service Fund, and the Agency Fund which is in compliance with ORC Section 3315.01. In fiscal 2007 total investment income of $484,531 was recorded in the General Fund and Food Service Fund.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon 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. State law does not require security for public deposits and investments to be maintained in the Center's name. During 2007, the Center and public depositories complied with the provisions of these statutes.

B. Deposits with Financial Institutions

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

At June 30, 2007, the carrying amount of all Center deposits was $ 4,394,047. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2007, $ 4,530,579 of the Center’s bank balance of $ 4,730,579 was exposed to custodial risk as discussed above, while $200,000 was covered by Federal Deposit Insurance Corporation.

C. Investments

As of June 30, 2007, the Center had the following investments and maturities.

		Investment Maturities			
Investment type	Fair Value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months
STAROhio	$ 5,348	5,348	-	-	-
FHLMC DN	988,106	988,106	-	-	-
FHLB	999,500	999,500	-	-	-
FNMA	1,970,378	1,970,378	-	-	-
	$ 3,963,332	3,963,332	-	-	-

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Center limits investment portfolio maturities to two years or less.

Credit Risk. The Center does not have a formal policy limiting credit risk. Standard & Poor's has assigned StarOhio an AAAm money market rating. The FHLMC, FHLB and FNMA investments were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively.

Concentration of Credit Risk. The Center places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the Center at June 30, 2007:

Investment type	Fair Value	% to total
STAROhio	$ 5,348	0.13%
FHLMC	988,106	24.93%
FHLB	999,500	25.22%
FNMA	1,970,378	49.72%
	$ 3,963,332	100.00%

Note 4. Property Tax

Property taxes are levied, assessed and collected on a calendar year basis, while the Center’s fiscal year runs from July through June. They include amounts levied against all real, public utility, and tangible personal property located in the Center. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semiannually. If paid annually, payment is due January 20. If paid semi-annually, the first payment is usually due January 20, with the remainder payable June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 12.5 percent of its true value. Amounts paid by multi-county taxpayers may be paid annually or semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Beginning in tax year 2006, the tax on tangible personal property begins to be phased out for most businesses. In tax year 2006, the assessment percentage for machinery and equipment, inventory, and furniture and fixtures was reduced to 18.75 %; in tax year 2007, to 12.5%; in tax year 2008, 6.5%; and for tax year 2009 and thereafter, 0%.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100 percent of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Center receives property taxes from Madison, Franklin, Union, Delaware and Fayette Counties. Tax settlements are made each February and August for real property and each June and October for personal property taxes.

Accrued property taxes receivable includes the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of fiscal year end, and for which there was an enforceable legal claim. 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 and is reflected as revenue at fiscal year end. The receivable is offset by a credit to unearned revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2007 was $2,661,254 in the General Fund. Accrued property taxes receivable also includes amounts for any late personal property tax settlements made by the Counties.

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

The full tax rate at the fiscal year ended June 30, 2007 for operations was $.50 per $1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2007 taxes were collected were as follows:

Real Property - Commercial/Industrial	$	1,337,693,530
Real Property - Residential/Agricultural		4,602,351,780
Personal Property - General		494,585,632
Total Assessment Vaue	$	6,434,630,942

Note 5. Receivables

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

A summary of the principal items of Intergovernmental Receivables follows:

Governmental Activities		Amount
Other Governmental Funds:		
Misc. State Grants	$	2,960
Adult Education		6,502
Carl D. Perkins Grant		67,364
Food Service		15,769
Total Governmental Activities	$	92,595

Note 6. Capital Assets

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

	Balance June 30, 2006	Additions	Disposals	Balance June 30, 2007
Capital Assets used in:				
Governmental Activities				
Nondepreciable capital assets-				
Land	$ 150,000	-	-	150,000
Construction in progress	-	690,719	-	690,719
Total nondepreciable capital assets	150,000	690,719	-	840,719
Depreciable capital assets:				
Building and building improvements	11,601,203	21,560	-	11,622,763
Furniture and equipment	5,000,613	690,397	271,432	5,419,578
Vehicles	508,568	58,976	-	567,544
Total depreciable capital assets	17,110,384	770,933	271,432	17,609,885
Accumulated depreciation:				
Building and building improvements	5,954,238	263,848	-	6,218,086
Furniture and equipment	2,695,147	321,123	214,424	2,801,846
Vehicles	279,894	32,857	-	312,751
Total accumulated depreciation	8,929,279	617,828	214,424	9,332,683
Total depreciable capital assets, net	8,181,105	153,105	57,008	8,277,202
Total governmental activities capital assets, net	8,331,105	843,824	57,008	9,117,921

Depreciation expense was charged to governmental functions as follows:

Instructional:		
Regular	$	28,024
Special		4,086
Vocational		436,038
Adult/Continuing		337
Support services:		
Pupil		46,489
Instructional staff		35,039
Administration		15,297
Fiscal		1,435
Operation and maintenance of plant		46,644
Central		139
Other operation of non-instructional services		3,816
Extra curricular activities		484
Total depreciation	$	617,828

Note 7. Long-Term Obligations

Changes in the Center's long-term obligations during fiscal year 2007 were as follows:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amount due in One Year
Governmental Activities					
Compensated absences payable	460,137	28,089	31,577	456,649	$ 36,943
Capital Leases Payable	33,718	101,893	34,982	100,629	17,382
Total Governmental Activities Long-term Obligations	493,855	129,982	66,559	557,278	$ 54,325

Note 8. Capital Leases

The Center entered into a new capital lease agreement in fiscal 2007 and retired the previous agreement early. The new agreement is for five copiers and one fax machine with a total value of $ 101,893. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal payments made from governmental funds on the leases in 2007 and 2006 were $34,982 and $11,204, respectively.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments of June 30, 2007:

Year	Governmental Activities
2008	$ 27,022
2009	24,943
2010	24,943
2011	24,943
2012	25,881
Total	127,732
Less: Amount representing interest	(27,103)
Present Value of Net Minimum Lease Payments	100,629

Note 9. Interfund Assets/Liabilities

As of June 30, 2007, the General Fund had an interfund receivable in the amount of $119,462. The Adult Education, Ford PAS, Able Grant and Carl D. Perkins Grant special revenue funds had interfund payables in the amounts of $60,000, $2,960, $6,502 and $50,000, respectively, resulting from the provision of cash flow resources from the General Fund until the receipt of grant monies by the special revenue funds.

Note 10. Defined Benefit Pension Plans

A. School Employees Retirement System

The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The current school district rate is 14 percent of annual covered payroll. A portion of the school district’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Center’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were $132,832, $105,925 and $116,049, respectively; 100 percent of the required contribution for each year.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and 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% 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 are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The school district was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon 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 Center's required pension obligations to STRS for the fiscal years ended June 30, 2007, 2006, and 2005 were $694,611, $627,387 and $617,095, respectively; 100 percent of the required contribution each year.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, two members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11. Postemployment Benefits

The school district provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certified 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.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Reserve Fund. For the school district, this amount equaled $49,615 for fiscal year 2007.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at $35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. Employer contributions of approximately $31,500 and a surcharge of $15,079 were used to fund post-employment benefits for 2007.

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. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were $158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of $295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

Note 12. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements, Board policies and State laws. Only administrative and twelve month school support personnel accumulate vacation based on the following factors:

Years of Service	Vacation Days
After 1 Year	10
5 or more Years	15
10 or more Years	20

All administrative personnel earn twenty days vacation annually.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for all employees is 290 days. Upon retirement, payment is made for 25 percent of the employee's balance based upon their years of service.

Note 13. Risk Management

A. General Risk

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Center has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of $1,000,000 for each occurrence and $3,000,000 in the aggregate. In addition, the Center maintains a $2,000,000 excess liability policy.

The Center maintains fleet insurance in the amount of $1,000,000 for any one accident or loss and a $2,000,000 excess liability policy.

The Center maintains replacement cost insurance on buildings and contents in the amount of $34,006,480 (subject to scheduled limits). The Center maintains other property insurance for valuable papers, electronic data processing equipment, and mechanical, electrical and pressure equipment. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions of coverage from the prior years.

B. Workers' Compensation-Public Entity Risk Pool

The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an 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 Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school Centers pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Insurance

The Center provides life insurance and accidental death and dismemberment insurance to its employees through the Metropolitan Educational Council insurance purchasing program. The Center has elected to provide employee medical/surgical benefits and dental through United HealthCare, a fully funded program.

Note 14. Jointly Governed Organizations

Metropolitan Educational Council - MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The Center does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the Center.

Note 15. Contingencies

A. Grants

The Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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 Center at June 30, 2007.

B. Litigation

There are currently no matters in litigation with the Center as defendant.

Note 16. Statutory Reserves

The Center is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Total
Set-Aside Cash Balance as of July 1, 2006	$ -	-	-
Current Year Set-Aside Requirement	82,372	82,372	164,744
Qualifying Disbursements	(983,468)	(1,018,142)	(2,001,610)
			-
Total	(901,096)	(935,770)	(1,836,866)
Cash Balance Carried Forward to Fiscal Year 2007	$ -	-	-

The Center had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero. These amounts may be used to reduce the set-aside requirement of future years. Negative amounts, however, are not presented as being carried forward to the next fiscal year.

Note 17. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The Center is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 18. Subsequent Event

On September 27, 2007 the Board of Education issued $6,590,000 in un-voted general obligations bonds for the purpose of renovating, constructing and improving the existing school facilities. $650,000 of these bonds are for the purchase and installing of energy conservation measures.

Note 19. Noncompliance

During the year there were two instances where the Center was not in compliance with Ohio Revised Code Sections 5704.41(B) and 5705.412, related to expenditures exceeding appropriations, and the failure to properly execute a "412" Certificate, respectively. These noncompliance issues both relate to the aforementioned building project discussed in Note 18 above. The Centers' management subsequently authorized the necessary supplemental appropriations and related "412" certificate.

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

Tolles Career and Technical Center

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2007

		Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES:					
Taxes	$	2,912,584	5,282,009	5,274,733	(7,276)
Intergovernmental		2,434,858	2,552,127	2,513,292	(38,835)
Interest		475,000	475,000	491,452	16,452
Tuition and fees		26,000	84,500	86,907	2,407
Miscellaneous		15,000	15,000	15,400	400
TOTAL REVENUES		5,863,442	8,408,636	8,381,784	(26,852)
EXPENDITURES:					
Current:					
Instructional services:					
Regular		1,622,163	1,623,163	1,564,095	59,068
Special		369,586	370,086	328,938	41,148
Vocational		3,763,172	3,765,172	3,436,487	328,685
Other		130,600	130,600	105,861	24,739
Support services:					
Pupils		5,824,721	4,731,246	1,066,277	3,664,969
Instructional staff		838,912	838,912	762,692	76,220
Board of education		82,322	122,822	88,131	34,691
Administration		770,431	822,406	738,928	83,478
Fiscal		296,040	346,040	304,550	41,490
Operation & maintenance of plant		1,604,041	1,640,541	1,391,073	249,468
Pupil transportation		17,000	17,000	14,709	2,291
Central		225,322	226,322	168,616	57,706
Extracurricular		33,000	33,000	26,688	6,312
Capital outlay		56,000	994,000	895,750	98,250
TOTAL EXPENDITURES		15,633,310	15,661,310	10,892,795	4,768,515
Excess (deficiency) of revenues over expenditures		(9,769,868)	(7,252,674)	(2,511,011)	(4,741,663)
OTHER FINANCING SOURCES (USES):					
Transfers out		(180,000)	(2,680,000)	(1,016,000)	1,664,000
Advances in		55,000	68,000	70,000	2,000
Advances out		-	-	(121,462)	(121,462)
Other		-	-	85	85
TOTAL OTHER FINANCING SOURCES (USES)		(125,000)	(2,612,000)	(1,067,377)	1,544,623
NET CHANGE IN FUND BALANCES		(9,894,868)	(9,864,674)	(3,578,388)	(6,286,286)
Prior year encumbrances appropriated		188,930	188,930	188,930	-
FUND BALANCES AT BEGINNING OF YEAR		9,712,941	9,712,941	9,712,941	-
FUND BALANCE AT END OF YEAR	$	7,003	37,197	6,323,483	(6,286,286)

See notes to required supplementary information.

NOTE A - BUDGETARY DATA

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 that 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 object level for all funds. Any budgetary modifications at this level may only be made by the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District's Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate of estimated resources when the original appropriations were adopted by fund. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect at the time the final appropriations were passed by the Board.

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

NOTE B - RECONCILING BUDGET BASIS AND GAAP

The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual column presented on the Budgetary Comparison Schedule – General Fund is prepared in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
B. Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
C. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance (GAAP basis); and
D. Investments are recorded at cost (budget basis) as opposed to fair value (GAAP basis).

A reconciliation of the General Fund results of operations at the end of the year on the GAAP basis to the budget basis follows:

Deficiency of revenues and other financing sources under expenditures and other financing uses (GAAP Basis)	$	(1,234,536)
Adjustments, net		
Revenue accruals		(2,004,181)
Expenditure accruals		(288,294)
Other financing sources		(51,377)
Excess of revenues and other financing sources over expenditures and other financing uses (Budget Basis)	$	(3,578,388)

383 North Front Street
Columbus, Ohio 43215

Kennedy Cottrell Richards

Phone: 614.358.4682
Fax: 614.888.8634
www.kcr-cpa.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Tolles Career & Technical Center
7877 US Highway 42 South
Plain City, Ohio 43064

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tolles Career & Technical Center, Madison County, Ohio (the Center) as of and for the year ended June 30, 2007, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated December 13, 2007. 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 *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.* These instances of noncompliance are reported as items 2007-1 and 2007-2 in the attached Schedule of Findings.

This report is intended solely for the information and use of the audit committee, management, and Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards
December 13, 2007

TOLLES CAREER & TECHNICAL CENTER

SCHEDULE OF FINDINGS

JUNE 30, 2007

2007-1 Noncompliance: Expenditures Exceeded Appropriations

Ohio Revised Code Section 5705.41(B) provides, in part, that no subdivision or taxing unit shall "make any expenditure of money unless it has been appropriated as provided in such chapter."

In March 2007, the Center encumbered funds for architecture services for an upcoming building project that was approved by the Board of Education in its February 2007 meeting. Because the Center did not complete and approve an amended appropriation measure prior to encumbering the funds, the Center exceeded amounts appropriated in its Building Fund by $738,000 in March 2007 and by $743,875 in April and May 2007. The Center did not appropriate the funds until June 2007.

We recommend that the Center implement procedures to ensure that amounts are properly appropriated prior to encumbering or expending funds.

Official's Response
As noted in the second paragraph, the Board approved the architect for the Tolles building project at their February 1, 2007 meeting. Although, the official appropriations were not amended until June 2007, the Center had funds available to pay expenditures. The Center's management will continue to monitor and implement procedures as necessary to remain in compliance with the applicable sections of the Ohio Revised Code. However, it should be noted that at no time was the Center in a fund deficit position, nor, were actual cash expenditures made from the building fund prior to the appropriation amendment in June 2007.

2007-2 Noncompliance: Lack of 412 Certificate

Ohio Revised Code Section 5705.412 provides, in part:

> (A) As used in this section, "qualifying contract" means any agreement for the expenditure of money under which aggregate payments from the funds included in the school district's five-year forecast under section 5705.391 of the Revised Code will exceed the lesser of the following amounts:
>
> (1) Five hundred thousand dollars;
>
> (2) One per cent of the total revenue to be credited in the current fiscal year to the district's general fund, as specified in the district's most recent certificate of estimated resources certified under section 5705.36 of the Revised Code.
>
> (B) Notwithstanding section 5705.41 of the Revised Code, no school district shall adopt any appropriation measure, make any qualifying contract, or increase during any school year any wage or salary schedule unless there is attached thereto a certificate, signed as required by this section, that the school district has in effect the authorization to levy taxes including the renewal or replacement of existing levies which, when combined with the estimated revenue from all other sources available to the district at the time of certification, are sufficient to provide the operating revenues necessary to enable the district to maintain all personnel and programs for all the days set forth in its adopted school calendars for the current fiscal year and for a number of days in succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year.…

During the fiscal year, the Center entered into a contract exceeding $500,000, which pertained to an energy conservation project at the Center. At the time, the Center did not execute the 412 Certificate as required above. When notified by the auditor of the missing certificate, the Center took the necessary steps to execute the certificate. Other than the contract in question, the Center substantially complied with the requirements of ORC 5704.412; however, we still recommend that the Center establish procedures to ensure that 412 Certificates are executed for all qualifying contracts.

Official's Response

Although contracts in excess of $500,000 for the Center do not occur frequently, in the future steps will be taken to process the 412 Certificate at the time the contract is issued.

Mary Taylor, CPA
Auditor of State

TOLLES CAREER AND TECHNICAL CENTER

MADISON 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
JANUARY 31, 2008

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us