



**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**Mary Taylor, CPA**  
Auditor of State



**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Career and Technology Education Centers, Licking County, Ohio, (the Center) as of and for the year ended June 30, 2008, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Career and Technology Education Centers, Licking County, Ohio, as of June 30, 2008, and the respective changes in financial position and the respective budgetary comparisons for the General and Adult Education Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2009, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 16, 2009

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
(Unaudited)*

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The discussion and analysis of the Career and Technology Education Centers of Licking County's (C-TEC's) financial performance provides an overview and analysis of C-TEC's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at C-TEC's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of C-TEC's financial performance.

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

### **Financial Highlights**

- Total assets of the Career and Technology Education Centers of Licking County exceeded its liabilities at June 30, 2008 by \$13,116,832. This balance was comprised of an \$13,184,760 balance invested in capital assets, net of related debt, \$2,455,900 of net asset amounts restricted for specific purposes, and (\$2,523,828) in unrestricted net assets.
- In total, net assets of governmental activities decreased by \$161,269, which represents a 1.21 percent decrease from 2007.
- General revenues accounted for \$14,693,415 or 76.39 percent of all revenues of governmental activities. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,540,448 or 23.61 percent of total revenues of \$19,233,863 for the governmental activities.
- C-TEC had \$19,395,132 in expenses related to governmental activities; only \$4,540,448 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$14,693,415 and net assets from the prior year were used to provide for the remainder of these programs.
- C-TEC recognizes three major governmental funds: the General, Adult Education and Bond Retirement Funds. The General Fund had \$12,148,847 in revenues and \$13,563,075 in expenditures in fiscal year 2008.

### **Using this Annual Report**

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

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**  
*Management's Discussion and Analysis*  
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*(Unaudited)*

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**Reporting C-TEC as a Whole**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of C-TEC's finances, in a manner similar to private-sector business. The statement of net assets and statement of activities provide information about the activities of C-TEC as a whole, presenting both an aggregate view of C-TEC's finances and a longer-term view of those finances. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Governmental Activities**

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

**Reporting C-TEC's Most Significant Funds**

**Fund Financial Statements**

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

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



**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**  
*Management's Discussion and Analysis*  
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*(Unaudited)*

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**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

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

**Fiduciary Funds**

C-TEC's fiduciary funds are the private purpose trust and agency funds. We exclude these activities from C-TEC's other financial statements because C-TEC cannot use these assets to finance its operations. Private purpose trust funds are held in trustee capacity for individuals, private organizations, or other governments while 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, 2008*

*(Unaudited)*

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**Government-Wide Financial Analysis**

Recall that the statement of net assets provides the perspective of C-TEC as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of C-TEC's net assets for 2008 compared to fiscal year 2007:

Table 1  
**Net Assets**

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
<b><u>Assets:</u></b>		
Current and Other Assets	\$15,100,701	\$16,172,421
Capital Assets, Net	40,236,016	41,244,305
<i>Total Assets</i>	<u>55,336,717</u>	<u>57,416,726</u>
<b><u>Liabilities:</u></b>		
Long-Term Liabilities	31,723,639	33,943,262
Other Liabilities	10,496,246	10,195,363
<i>Total Liabilities</i>	<u>42,219,885</u>	<u>44,138,625</u>
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	13,184,760	11,507,181
Restricted	2,455,900	2,429,674
Unrestricted	(2,523,828)	(658,754)
<i>Total Net Assets</i>	<u><u>\$13,116,832</u></u>	<u><u>\$13,278,101</u></u>

Current and other assets decreased \$1,071,720 from fiscal year 2007, the result of a decrease in cash and cash equivalents which is due to expenditures for the construction project.

Capital assets decreased by \$1,008,289 as a result of depreciation.

Current (other) liabilities increased \$300,883 as a result of increases in deferred revenue from property taxes receivable.

Long-term liabilities decreased \$2,219,623 due to scheduled payments made on debt outstanding.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**  
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For governmental activities, C-TEC's largest portion of net assets of \$13,184,760 or 100.52 percent and is related to amounts invested in capital assets, net of related debt. C-TEC used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although C-TEC's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

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

The remaining balance for governmental activities is restricted assets of \$2,455,900 or 18.72 percent. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2008 and provides a comparison to fiscal year 2007.

Table 2  
**Changes in Net Assets**

	Governmental Activities	
	2008	2007
<b><u>Revenues:</u></b>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$1,822,088	\$1,416,753
Operating Grants and Contributions	2,711,635	2,558,368
Capital Grants and Contributions	6,725	0
<i>General Revenues:</i>		
Property Taxes	10,140,468	10,410,258
Unrestricted Grants and Entitlements	3,956,519	3,602,408
Investments Earnings	286,422	464,908
Miscellaneous	310,006	58,832
<i>Total Revenues</i>	19,233,863	18,511,527
<b><u>Expenses:</u></b>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	298,729	287,553
Special	529,465	486,721
Vocational	7,185,965	7,574,806
Adult/Continuing	1,766,530	1,765,863

(Continued)

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

Table 2  
**Changes in Net Assets**

	Governmental Activities	
	2008	2007
<i>Support Services:</i>		
Pupils	630,561	568,237
Instructional Staff	1,459,958	1,652,447
Board of Education	31,964	32,761
Administration	1,173,106	1,037,935
Fiscal	440,384	401,473
Business	583,081	823,925
Operation and Maintenance of Plant	1,910,904	1,883,014
Pupil Transportation	28,710	42,031
Central	1,450,780	1,106,576
<i>Operation of Non-Instructional Services:</i>		
Food Services	280,479	266,208
Other	33,319	32,280
Extracurricular Activities	89,848	117,359
Interest and Fiscal Charges	1,501,349	1,425,587
<i>Total Expenses</i>	<u>19,395,132</u>	<u>19,504,776</u>
<i>Changes in Nets Assets</i>	(161,269)	(993,249)
Net Assets at Beginning of Year	<u>13,278,101</u>	<u>14,271,350</u>
Net Assets at End of Year	<u><u>\$13,116,832</u></u>	<u><u>\$13,278,101</u></u>

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
(Unaudited)*

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The most significant program expenses for C-TEC are Vocational Instruction, Operation and Maintenance of Plant, Adult/Continuing Instruction, Interest and Fiscal Charges and Instructional Staff. These programs account for 71.28 percent of the total governmental activities. Vocational Instruction, which accounts for 37.05 percent of the total, represents costs associated with providing instructional activities designed to prepare students to enter into the workforce with education in a trade or technical skills. Operation and Maintenance of Plant, which accounts for 9.85 percent of the total, represents costs associated with operating and maintaining C-TEC's facilities. Adult/Continuing Instruction, which accounts for 9.11 percent of the total, represents costs associated with instructional activities designed to develop knowledge and skills to meet immediate and long-range educational objectives. Interest and Fiscal Charges, which accounts for 7.74 percent of the total, represents costs associated with assisting the teaching staff with the content and process of educating students. Instructional Staff, which accounts for 7.53 percent of the total, represents costs associated with the repayment of C-TEC's debt.

The majority of the funding for the most significant programs indicated above is from property taxes and grants and entitlements not restricted for specific programs. Property taxes and grants and entitlements not restricted for specific programs accounts for 73.29 percent of total revenues for governmental activities.

As noted previously, the net assets for governmental activities decreased \$161,269 or 1.21 percent. This is an increase from last year when net assets decreased \$993,249 or 6.96 percent. Total revenues for governmental activities increased \$722,336 or 3.90 percent over the last year and expenses decreased \$109,644 or 0.56 percent over last year.

C-TEC had program revenue increases for governmental activities of \$565,327, as well as an increase in general revenues of \$157,009. The increase in program revenues is mostly due to an increase in charges for services and sales reported as program revenue. There was one significant increase in general revenues. Unrestricted Grants and Entitlements increased \$354,111 or 9.83 percent.

The total expenses for governmental activities decreased as a result of a decrease in vocational instruction. The decrease in vocational instruction services is the result of C-TEC's budget cuts and managements attempts to monitor spending.

**Governmental Activities**

Over the past several fiscal years, C-TEC has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. C-TEC is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 52.72 percent and intergovernmental revenue made up 34.70 percent of the total revenue for the governmental activities in fiscal year 2008.

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

C-TEC's 1.0 mill Debt Service Levy is an important piece of the financial picture. The levy is set to receive approximately \$3,000,000 a year 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.

C-TEC's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2008, C-TEC received \$4,351,988 through the State's foundation program, which represents 22.63 percent of the total revenue for the governmental activities. C-TEC relies on this state funding to operate at the current levels of service.

**CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

Instruction accounts for 50.43 percent of governmental activities program expenses. Support services expenses make up 39.75 percent of governmental activities expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, the total cost of services and the net cost of services for fiscal year 2008 compared with fiscal year 2007. 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
	2008	2008	2007	2007
<b><i>Program Expenses:</i></b>				
<i>Governmental Activities:</i>				
Instruction	\$9,780,689	\$6,117,811	\$10,114,943	\$6,990,810
Support Services	7,709,448	6,967,790	7,548,399	6,872,303
Operation of Non-Instructional Services	313,798	186,869	298,488	162,862
Extracurricular Activities	89,848	80,865	117,359	78,093
Interest and Fiscal Charges	1,501,349	1,501,349	1,425,587	1,425,587
Total Expenses	<u>\$19,395,132</u>	<u>\$14,854,684</u>	<u>\$19,504,776</u>	<u>\$15,529,655</u>

**C-TEC's Funds**

C-TEC's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies and procedures). All governmental funds had total revenues and other financing sources of \$22,673,057 and expenditures and other financing uses of \$24,054,945.

Total governmental funds fund balance decreased by \$1,381,888. The decrease in fund balance for the year was most significant in the General Fund, a decrease of \$1,554,718 reflecting expenditures for operating costs.

C-TEC should remain stable in fiscal years 2009 through 2010. Projections beyond fiscal year 2010 show C-TEC will only be able to meet inflationary cost increases in the long-term with additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

**Budget Highlights - General Fund**

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

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

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

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2008*

*(Unaudited)*

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

For the General Fund, the final budget basis revenues available from all sources was \$12,526,535 representing a decrease of \$2,506,100 from the original budget basis estimates. For the General Fund, the final budget basis expenditures were \$14,243,249 representing a \$70,070 increase from the original budget expenditures of \$14,173,179. The final budget reflected a 0.49 percent increase from the original budgeted amount.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2008, C-TEC had \$43.4 million invested in capital assets in the governmental activities. These totals carry accumulated depreciation of \$3.2 million. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007.

Table 4  
**Capital Assets & Accumulated Depreciation at Year End**

	Governmental Activities	
	2008	2007
<i>Nondepreciable Assets:</i>		
Land	\$107,951	\$107,951
<i>Depreciable Assets:</i>		
Buildings and Improvements	39,370,692	39,333,168
Furniture, Fixtures and Equipment	3,352,941	3,305,336
Vehicles	566,776	566,776
<i>Total Capital Assets</i>	43,398,360	43,313,231
<i>Accumulated Depreciation:</i>		
Buildings and Improvements	(1,745,398)	(852,795)
Furniture, Fixtures and Equipment	(964,834)	(780,281)
Vehicles	(452,112)	(435,850)
<i>Total Accumulated Depreciation</i>	(3,162,344)	(2,068,926)
Capital Assets, Net	\$40,236,016	\$41,244,305

More detailed information pertaining to C-TEC'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, 2008*

*(Unaudited)*

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**Debt Administration**

At June 30, 2008, C-TEC had \$30,351,256 in general obligation debt outstanding with \$5,704,686 due within one year. Table 5 summarizes bonds, loans and notes outstanding for fiscal year 2008 compared to fiscal year 2007.

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

<u>Purpose</u>	<u>2008</u>	<u>2007</u>
Energy Conservation Note	\$269,589	\$394,402
General Obligation Bonds	26,415,000	28,450,000
Construction Loan	366,667	400,000
Bond Anticipation Note	3,300,000	3,300,000
Total	<u>\$30,351,256</u>	<u>\$32,544,402</u>

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

**Challenges and Opportunities**

The mission of the Career & Technology Education Center 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.

In order to meet the above mission, C-TEC has implemented a continuous improvement plan with the following goals:

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

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

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



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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
(Unaudited)*

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

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

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

**Contacting C-TEC's Financial Management**

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

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

*Statement of Net Assets*

*June 30, 2008*

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	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$4,286,859
Property Taxes Receivable	10,315,744
Accounts Receivable	317,962
Intergovernmental Receivable	172,911
Accrued Interest Receivable	7,225
Nondepreciable Capital Assets	107,951
Depreciable Capital Assets, net	<u>40,128,065</u>
 <i>Total Assets</i>	 <u>55,336,717</u>
 <b><u>Liabilities:</u></b>	
Accounts Payable	224,636
Accrued Wages and Benefits	676,027
Contracts Payable	23,834
Intergovernmental Payable	280,049
Accrued Interest Payable	216,477
Deferred Revenue	9,075,223
<i>Long-Term Liabilities:</i>	
Due within One Year	5,920,468
Due in More Than One Year	<u>25,803,171</u>
 <i>Total Liabilities</i>	 <u>42,219,885</u>
 <b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	13,184,760
<i>Restricted for:</i>	
Debt Service	1,427,865
Capital Outlay	922,355
Other Purposes	105,680
Unrestricted	<u>(2,523,828)</u>
 <i>Total Net Assets</i>	 <u><u>\$13,116,832</u></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, 2008*

	Program Revenues			Net (Expense)	
	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets	
<u>Expenses</u>				<u>Governmental Activities</u>	
<b><u>Governmental Activities:</u></b>					
<i>Instruction:</i>					
Regular	\$298,729	\$0	\$79,468	\$0	(\$219,261)
Special	529,465	0	230,628	0	(298,837)
Vocational	7,185,965	230,074	1,439,386	6,725	(5,509,780)
Adult/Continuing	1,766,530	1,251,853	424,744	0	(89,933)
<i>Support Services:</i>					
Pupils	630,561	1,603	188,844	0	(440,114)
Instructional Staff	1,459,958	198,495	220,184	0	(1,041,279)
Board of Education	31,964	0	0	0	(31,964)
Administration	1,173,106	3,898	2,297	0	(1,166,911)
Fiscal	440,384	0	0	0	(440,384)
Business	583,081	0	5,000	0	(578,081)
Operation and Maintenance of Plant	1,910,904	0	0	0	(1,910,904)
Pupil Transportation	28,710	0	0	0	(28,710)
Central	1,450,780	1,840	119,497	0	(1,329,443)
<i>Operation of Non-Instructional Services:</i>					
Food Services	280,479	125,342	0	0	(155,137)
Other	33,319	0	1,587	0	(31,732)
Extracurricular Activities	89,848	8,983	0	0	(80,865)
Interest and Fiscal Charges	1,501,349	0	0	0	(1,501,349)
<b><i>Total Governmental Activities</i></b>	<b>\$19,395,132</b>	<b>\$1,822,088</b>	<b>\$2,711,635</b>	<b>\$6,725</b>	<b>(14,854,684)</b>
<b><u>General Revenues:</u></b>					
<i>Property Taxes Levied for:</i>					
General Purposes					6,840,457
Debt Service					3,300,011
Grants and Entitlements not Restricted to Specific Programs					3,956,519
Investment Earnings					286,422
Miscellaneous					310,006
<b><i>Total General Revenues</i></b>					<b>14,693,415</b>
Change in Net Assets					(161,269)
<b><i>Net Assets at Beginning of Year</i></b>					<b>13,278,101</b>
<b><i>Net Assets at End of Year</i></b>					<b>\$13,116,832</b>

See accompanying notes to the basic financial statements.

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

*Balance Sheet  
Governmental Funds  
June 30, 2008*

	General	Adult Education	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$1,294,347	\$58,582	\$1,755,509	\$1,178,421	\$4,286,859
Property Taxes Receivable	6,877,163	0	3,438,581	0	10,315,744
Accounts Receivable	0	317,962	0	0	317,962
Intergovernmental Receivable	0	0	0	172,911	172,911
Accrued Interest Receivable	7,225	0	0	0	7,225
Interfund Receivable	270,034	0	0	0	270,034
<i>Total Assets</i>	<u>\$8,448,769</u>	<u>\$376,544</u>	<u>\$5,194,090</u>	<u>\$1,351,332</u>	<u>\$15,370,735</u>
<b><u>Liabilities and Fund Balances:</u></b>					
<b><u>Liabilities:</u></b>					
Accounts Payable	\$188,900	\$10,759	\$0	\$24,977	\$224,636
Accrued Wages and Benefits	660,821	2,800	0	12,406	676,027
Contracts Payable	0	0	0	23,834	23,834
Intergovernmental Payable	260,200	12,909	0	6,940	280,049
Interfund Payable	0	170,000	0	100,034	270,034
Deferred Revenue	6,306,543	0	3,153,271	172,911	9,632,725
<i>Total Liabilities</i>	<u>7,416,464</u>	<u>196,468</u>	<u>3,153,271</u>	<u>341,102</u>	<u>11,107,305</u>
<b><u>Fund Balances:</u></b>					
Reserved for Encumbrances	74,349	9,558	0	112,985	196,892
Reserved for Property Taxes	570,620	0	285,310	0	855,930
<i>Unreserved, Undesignated, Reported in:</i>					
General Fund	387,336	0	0	0	387,336
Special Revenue Funds	0	170,518	0	74,397	244,915
Debt Service Fund	0	0	1,755,509	0	1,755,509
Capital Projects Funds	0	0	0	822,848	822,848
<i>Total Fund Balances</i>	<u>1,032,305</u>	<u>180,076</u>	<u>2,040,819</u>	<u>1,010,230</u>	<u>4,263,430</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,448,769</u>	<u>\$376,544</u>	<u>\$5,194,090</u>	<u>\$1,351,332</u>	<u>\$15,370,735</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, 2008*

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<b>Total Governmental Funds Balances</b>		\$4,263,430
<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.		40,236,016
Some of C-TEC's receivables will be collected after fiscal year-end. However, they are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:		
Property taxes	436,161	
Intergovernmental	<u>121,341</u>	
Total receivables that are deferred in the funds		557,502
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	(269,589)	
General obligation bonds	(26,415,000)	
Construction loan	(366,667)	
Bond Anticipation Note	(3,300,000)	
Premium on bonds issued	(541,864)	
Accrued interest on notes and bonds	(216,477)	
Compensated absences	<u>(830,519)</u>	
Total liabilities that are not reported in the funds		<u>(31,940,116)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$13,116,832</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, 2008*

	General	Adult Education	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>					
Property Taxes	\$6,789,692	\$0	\$3,394,633	\$0	\$10,184,325
Intergovernmental	5,114,094	361,087	393,856	737,683	6,606,720
Interest	196,470	0	89,952	0	286,422
Tuition and Fees	18,642	1,449,199	0	100,914	1,568,755
Rent	0	0	0	6,649	6,649
Extracurricular Activities	0	0	0	8,983	8,983
Gifts and Donations	0	0	0	24,846	24,846
Charges for Services	3,360	0	0	232,501	235,861
Miscellaneous	26,589	29,712	0	230,572	286,873
<b>Total Revenues</b>	<b>12,148,847</b>	<b>1,839,998</b>	<b>3,878,441</b>	<b>1,342,148</b>	<b>19,209,434</b>
<b><u>Expenditures:</u></b>					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	47,132	0	0	79,018	126,150
Special	527,870	0	0	0	527,870
Vocational	6,549,164	0	0	257,170	6,806,334
Adult/Continuing	45,242	1,419,828	0	146,011	1,611,081
<i>Support Services:</i>					
Pupils	446,001	0	0	187,227	633,228
Instructional Staff	825,359	228,183	0	190,152	1,243,694
Board of Education	27,323	0	0	0	27,323
Administration	1,168,832	0	0	3,739	1,172,571
Fiscal	428,003	0	0	0	428,003
Business	391,312	0	61,762	5,000	458,074
Operation and Maintenance of Plant	1,898,810	0	0	0	1,898,810
Pupil Transportation	14,821	0	0	0	14,821
Central	899,776	0	0	574,833	1,474,609
Operation of Non-Instructional Services	36,175	0	0	276,869	313,044
Extracurricular Activities	81,713	0	0	8,135	89,848
Capital Outlay	0	0	0	52,645	52,645
<i>Debt Service:</i>					
Principal Retirement	158,146	0	5,335,000	0	5,493,146
Interest and Fiscal Charges	17,396	0	1,525,808	0	1,543,204
<b>Total Expenditures</b>	<b>13,563,075</b>	<b>1,648,011</b>	<b>6,922,570</b>	<b>1,780,799</b>	<b>23,914,455</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,414,228)</b>	<b>191,987</b>	<b>(3,044,129)</b>	<b>(438,651)</b>	<b>(4,705,021)</b>
<b><u>Other Financing Sources (Uses):</u></b>					
Issuance of Notes	0	0	3,300,000	0	3,300,000
Premium on Note Issuance	0	0	23,133	0	23,133
Transfers In	0	0	0	140,490	140,490
Transfers Out	(140,490)	0	0	0	(140,490)
<b>Total Other Financing Sources (Uses)</b>	<b>(140,490)</b>	<b>0</b>	<b>3,323,133</b>	<b>140,490</b>	<b>3,323,133</b>
<b>Net Change in Fund Balances</b>	<b>(1,554,718)</b>	<b>191,987</b>	<b>279,004</b>	<b>(298,161)</b>	<b>(1,381,888)</b>
<b>Fund Balances at Beginning of Year, As Restated</b>	<b>2,587,023</b>	<b>(11,911)</b>	<b>1,761,815</b>	<b>1,308,391</b>	<b>5,645,318</b>
<b>Fund Balances at End of Year</b>	<b>\$1,032,305</b>	<b>\$180,076</b>	<b>\$2,040,819</b>	<b>\$1,010,230</b>	<b>\$4,263,430</b>

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, 2008*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>			(\$1,381,888)
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>			
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.			
			(1,008,289)
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		(43,857)	
Intergovernmental		45,153	
Total revenues not reported in the funds			1,296
Repayment of note, bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			
			5,493,146
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			
			7,989
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from bond anticipation notes.			
			(3,300,000)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:			
Increase in compensated absences payable		(7,389)	
Amortization of bond premium		33,866	
Total expenditures not reported in the funds			26,477
<i>Change in Net Assets of Governmental Activities</i>			<u><u>(\$161,269)</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, 2008*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b><u>Revenues:</u></b>				
Property Taxes	\$6,818,443	\$6,834,058	\$6,834,194	\$136
Intergovernmental	4,319,674	5,059,754	5,114,094	54,340
Interest	314,050	206,826	213,509	6,683
Tuition and Fees	23,229	24,572	18,642	(5,930)
Charges for Services	20,000	20,000	3,360	(16,640)
Miscellaneous	18,151	13,009	26,589	13,580
<i>Total Revenues</i>	11,513,547	12,158,219	12,210,388	52,169
<b><u>Expenditures:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	199,096	80,238	80,238	0
Special	520,228	521,098	521,098	0
Vocational	6,212,865	6,465,471	6,465,458	13
Adult/Continuing	39,938	46,394	46,394	0
<i>Support Services:</i>				
Pupils	461,398	453,303	453,303	0
Instructional Staff	834,565	828,553	828,553	0
Board of Education	36,032	30,427	30,427	0
Administration	1,129,104	1,180,017	1,180,017	0
Fiscal	479,615	426,391	426,391	0
Business	291,241	359,031	359,031	0
Operation and Maintenance of Plant	1,933,255	1,950,447	1,950,447	0
Pupil Transportation	22,385	14,777	14,777	0
Central	901,816	912,914	912,914	0
Operation of Non-Instructional Services	31,570	36,032	36,032	0
Extracurricular Activities	70,873	81,099	81,099	0
<i>Debt Service:</i>				
Principal Retirement	158,147	158,146	158,146	0
Interest and Fiscal Charges	17,397	17,396	17,396	0
<i>Total Expenditures</i>	13,339,525	13,561,734	13,561,721	13
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,825,978)	(1,403,515)	(1,351,333)	52,182
<b><u>Other Financing Sources (Uses):</u></b>				
Issuances of Notes	3,303,721	0	0	0
Proceeds from the Sale of Capital Assets	4,000	0	0	0
Advances In	211,367	368,316	192,741	(175,575)
Advances Out	(250,000)	(97,939)	(97,939)	0
Transfers Out	(583,654)	(583,576)	(140,490)	443,086
<i>Total Other Financing Sources (Uses)</i>	2,685,434	(313,199)	(45,688)	267,511
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	859,456	(1,716,714)	(1,397,021)	319,693
<i>Fund Balance at Beginning of Year</i>	2,172,563	2,172,563	2,172,563	0
Prior Year Encumbrances Appropriated	356,351	356,351	356,351	0
<i>Fund Balance at End of Year</i>	\$3,388,370	\$812,200	\$1,131,893	\$319,693

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)  
Adult Education Fund  
For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b><u>Revenues:</u></b>				
Intergovernmental	\$327,379	\$376,464	\$361,087	(\$15,377)
Tuition and Fees	1,232,570	1,417,371	1,423,973	6,602
Miscellaneous	25,367	29,170	29,712	542
<i>Total Revenues</i>	<u>1,585,316</u>	<u>1,823,005</u>	<u>1,814,772</u>	<u>(8,233)</u>
<b><u>Expenditures:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Adult/Continuing	1,446,806	1,434,143	1,432,714	1,429
<i>Support Services:</i>				
Instructional Staff	245,043	242,898	240,368	2,530
Operation and Maintenance of Plant	838	838	650	188
<i>Total Expenditures</i>	<u>1,692,687</u>	<u>1,677,879</u>	<u>1,673,732</u>	<u>4,147</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(107,371)</u>	<u>145,126</u>	<u>141,040</u>	<u>(4,086)</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Advances In	227,000	200,000	0	(200,000)
Advances Out	(126,562)	(126,562)	(120,415)	6,147
<i>Total Other Financing Sources (Uses)</i>	<u>100,438</u>	<u>73,438</u>	<u>(120,415)</u>	<u>(193,853)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(6,933)</u>	<u>218,564</u>	<u>20,625</u>	<u>(197,939)</u>
<i>Fund Balance at Beginning of Year</i>	8,977	8,977	8,977	0
Prior Year Encumbrances Appropriated	<u>11,633</u>	<u>11,633</u>	<u>11,633</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$13,677</u>	<u>\$239,174</u>	<u>\$41,235</u>	<u>(\$197,939)</u>

See accompanying notes to the basic financial statements and accountant's report.

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

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2008*

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	Private Purpose Trust	Agency
	<u>                    </u>	<u>                    </u>
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$64,854	\$1,259,942
	<u>                    </u>	<u>                    </u>
<b><u>Liabilities:</u></b>		
Accounts Payable	\$0	\$4,003
Compensated Absences Payable	0	35,765
Due to Students	0	49,748
Undistributed Monies	0	1,170,426
	<u>                    </u>	<u>                    </u>
<i>Total Liabilities</i>	0	\$1,259,942
	<u>                    </u>	<u>                    </u>
<b><u>Net Assets:</u></b>		
<i>Held in Trust for:</i>		
Scholarships	64,854	
	<u>                    </u>	
<i>Total Net Assets</i>	\$64,854	
	<u>                    </u>	

See accompanying notes to the basic financial statements and accountant's report.

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

*Statement of Change in Fiduciary Net Assets*

*Fiduciary Fund*

*For the Fiscal Year Ended June 30, 2008*

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	<u>Private Purpose Trust</u>
<b><u>Additions:</u></b>	
Gifts and Contributions	\$3,880
Interest	<u>2,246</u>
<i>Total Additions</i>	<u>6,126</u>
<b><u>Deductions:</u></b>	
Payments in Accordance with Trust Agreements	<u>10,198</u>
<i>Change in Net Assets</i>	(4,072)
<i>Net Assets at Beginning of Year</i>	<u>68,926</u>
<i>Net Assets at End of Year</i>	<u><u>\$64,854</u></u>

See accompanying notes to the basic financial statements.

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

*Notes to the Basic Financial Statements*

*For Fiscal Year Ended June 30, 2008*

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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 (C-TEC) is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A vocational school exposes students to job training leading to employment upon graduation from high school. C-TEC has ten participating districts spread throughout Licking, Delaware, Fairfield, Franklin, Muskingum and Knox Counties, which include two city school districts, seven local school districts and one exempted village school district.

C-TEC operates under a seven-member Board of Education and is responsible for the provision of public education to residents of C-TEC. The Board of Education of C-TEC is not directly elected. The Board is made up from members of the elected boards of the participating school districts and the Licking County Educational Service Center. C-TEC is staffed by 47 non-certificated employees and 355 certificated full and part-time teaching personnel who provide services to 1,539 students and other community members. C-TEC currently operates 4 buildings.

**Reporting Entity**

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

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

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

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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

The financial statements of C-TEC have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of C-TEC's accounting policies are described below.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

**Governmental Funds**

Governmental funds are those through which most governmental functions of C-TEC are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The following are C-TEC's major governmental funds:

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

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

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

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

**Fiduciary Funds**

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

**C. Measurement Focus**

**Government-Wide Financial Statements**

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

**Fund Financial Statements**

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

**D. Basis of Accounting**

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

**Revenues - Exchange and Nonexchange Transactions**

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

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

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.



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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

**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, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures**

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

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

**E. Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by C-TEC's Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflects the amounts in the final amended certificate issued during fiscal year 2008.

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 2008.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

**F. Cash and Cash Equivalents**

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

During the fiscal year 2008, C-TEC's investments were limited to the U.S. government securities and repurchase agreements. Except for repurchase agreements which are reported at cost, investments are reported at fair value which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$196,470, which includes \$98,959 assigned from other funds of C-TEC.

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Capital Assets**

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

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

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

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

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, and special termination of benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, loans and long-term notes are recognized as a liability on the fund financial statements when due.

**L. Net Assets**

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

C-TEC first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. C-TEC has a balance of \$2,455,900 for restricted net assets, of which none is restricted by enabling legislation.

**M. Fund Balance Reserves**

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

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

**N. Interfund Transactions**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. 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, 2008*

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

**O. Estimates**

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

**NOTE 3 - PRIOR PERIOD ADJUSTMENT AND NEW GASB PRONOUNCEMENTS**

It was found that assets of the Bond Retirement Debt Service Fund were erroneously reported in the Building Capital Project Fund in the previous year. This restatement had the following effect on fund balances as they were previously reported.

	<u>Bond Retirement</u>	<u>Building</u>
Fund Balance at June 30, 2007	\$1,623,034	\$1,527,223
Asset Adjustments	138,781	(138,781)
Restated Fund Balance at July 1, 2007	<u>\$1,761,815</u>	<u>\$1,388,442</u>

For fiscal year 2008, C-TEC implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB No. 50, "Pension Disclosures", an amendment of GASB Statements No. 25 and No. 27. The implementation of GASB Statement No. 45, 48 and 50 had some effect on the disclosure requirements; however, there was no effect on the prior period fund balances of C-TEC.

**NOTE 4 - ACCOUNTABILITY**

The following funds had deficit fund balances/net assets as of June 30, 2008:

<i>Nonmajor Special Revenue Funds:</i>	
Post Secondary Vocational Education	\$10,292
Networking Tech Prep FY01	7,160
Miscellaneous State Grants	20,752
Adult Basic Education	29,928
Vocational Education	23,858
Reducing Class Size	1,540
ABE/JOBS FY '93	369

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/advances when cash is required, not when accruals occur. These deficits do not exist on the cash basis at June 30, 2008.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While C-TEC is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described earlier is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget and actual (budget basis) is presented for the General Fund and Adult Education 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 and Adult Education Fund.

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses/Net Change in Fund Balance	
	General	Adult Education
Budget Basis	(\$1,397,021)	\$20,625
<i>Adjustments:</i>		
Revenue Accruals	(61,541)	25,226
Expenditure Accruals	(163,808)	8,367
Encumbrances	162,454	17,354
Other Sources (Uses)	(94,802)	120,415
GAAP Basis	(\$1,554,718)	\$191,987

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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);

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of C-TEC, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

At fiscal year end, C-TEC had \$5,905 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, 2008, the carrying amount of C-TEC's deposits was (\$203,862), exclusive of the \$4,027,099 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, 2008, \$50,876 of C-TEC's bank balance of \$248,842 was exposed to custodial risk as discussed above while \$197,966 was covered by Federal Deposit Insurance. The \$50,876 exposed to custodial risk was collateralized with securities held by C-TEC or its agency in C-TEC's name.



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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

**Investments:** As of June 30, 2008, the C-TEC had the following investments and maturities:

Investment Type	Fair Value/Cost	One Year or Less
STAR Ohio	\$1,086,178	\$1,086,178
U.S. Government Securities	702,240	702,240
Repurchase Agreements	4,027,099	4,027,099
Totals	<u>\$5,815,517</u>	<u>\$5,815,517</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.

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

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

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. C-TEC's investment policy allows investments in eligible securities as described in the Ohio Revised Code. C-TEC has invested 12% in U.S. Government Securities, 69% in Repurchase Agreements and 19% in STAR Ohio.

**Custodial Credit Risk:** For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, C-TEC will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The Federal National Mortgage Corporation Discount Notes and Federal Home Loan Bank Discount Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counter party's trust department or agent but not in C-TEC's name. C-TEC has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

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	\$5,611,655	\$0
<i>Investments:</i>		
STAR Ohio	(1,086,178)	1,086,178
U.S. Government Securities	(702,240)	702,240
Repurchase Agreements	(4,027,099)	4,027,099
GASB Statement No. 3	<u>(\$203,862)</u>	<u>\$5,815,517</u>

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within C-TEC's boundaries. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property is required to be revalued every six years. The last reappraisal was completed for Licking County in tax year 2005. 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 6.25 percent for 2008 and zero for 2009 of true value of fixed assets and 24 percent of true value of inventory.

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

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

C-TEC receives property taxes from Licking County, Fairfield County and Franklin County. The County Auditor from each county periodically advances to C-TEC its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008 are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

Accrued property taxes receivable represents the June 2008 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2008. 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, 2008 was \$855,930 is recognized as revenue. Of this total amount, \$570,620 available to the General Fund and \$285,310 was available to the Bond Retirement Fund.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$3,466,857,490	92.68%	\$3,554,462,090	94.98%
Public Utility Personal	127,903,050	3.42%	76,205,414	2.04%
Tangible Personal Property	145,846,663	3.90%	111,599,120	2.98%
Total Assessed Value	<u>\$3,740,607,203</u>	<u>100.00%</u>	<u>\$3,742,266,624</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$3.00		\$3.00	

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2008 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	\$10,292
Miscellaneous State Grants	27,723
Adult Basic Education	37,438
Vocational Education	88,470
Reducing Class Size	5,188
Title VI	1,134
Drug Free School	2,666
Total	<u>\$172,911</u>

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

**NOTE 9 - CAPITAL ASSETS**

Capital asset governmental activity for the fiscal year ended June 30, 2008 was as follows:

Asset Category	Balance at July 1, 2007	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2008
<b>Governmental Activities</b>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$107,951	\$0	\$0	\$107,951
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	39,333,168	37,524	0	39,370,692
Furniture, Fixtures and Equipment	3,305,336	47,605	0	3,352,941
Vehicles	566,776	0	0	566,776
Total Depreciable Capital Assets	43,205,280	85,129	0	43,290,409
Total Capital Assets	43,313,231	85,129	0	43,398,360
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(852,795)	(892,603)	0	(1,745,398)
Furniture, Fixtures and Equipment	(780,281)	(184,553)	0	(964,834)
Vehicles	(435,850)	(16,262)	0	(452,112)
Total Accumulated Depreciation	(2,068,926)	(1,093,418)	0	(3,162,344)
Governmental Activities Capital Assets, Net	\$41,244,305	(\$1,008,289)	\$0	\$40,236,016

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

Depreciation expense was charged to governmental functions as follow:

**Governmental Activities**

*Instruction:*

Regular	\$142,882
Vocational	429,556
Adult/Continuing	129,554
<i>Support Services:</i>	
Pupils	572
Instructional Staff	208,994
Board of Education	4,641
Administration	3,893
Fiscal	10,310
Business	125,007
Operation and Maintenance of Plant	16,004
Pupil Transportation	13,889
Central	8,116

Governmental Activities Depreciation Expense \$1,093,418

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**NOTE 10 - RISK MANAGEMENT**

C-TEC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, C-TEC contracted with Fitzgibbons Arnold and Company for property insurance, fleet insurance and liability insurance. Coverages provided are as follows:

Building and Contents - replacement cost (100% co-insurance)	\$54,599,960
Electronic and Data Processing	3,206,405
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
<i>School Leaders Error and Omissions:</i>	
Per Occurrence	1,000,000
Aggregate Limit	1,000,000
<i>Umbrella:</i>	
Per Occurrence	3,000,000
Aggregate Limit	3,000,000

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

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

For fiscal year 2008, C-TEC participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 19). The intent of the Plan is to achieve the benefit of a reduced premium for C-TEC by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and C-TEC is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of C-TEC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of the annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. C-TEC's contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$392,470, \$392,535 and \$385,092, respectively; 58.61 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006. \$162,447 representing the unpaid contribution for fiscal year 2008, is recorded as a liability.

**State Teachers Retirement System**

C-TEC contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.STRSOH.org](http://www.STRSOH.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits were established by Chapter 3307 of the Ohio Revised Code.



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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

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

Plan members are required to contribute 10 percent of their annual covered salary. C-TEC is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. C-TEC's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$975,440, \$867,248, and \$885,629, respectively; 91.02 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006. \$87,611 representing the unpaid contribution for fiscal year 2008, is recorded as a liability. Contributions to the DC and Combined Plans for fiscal year 2008 were \$17,704 made by C-TEC and \$19,997 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, 2008, no members of the Board of Education have elected Social Security.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

***Plan Description*** - Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or the combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums.

The State Teachers Retirement Board has statutory authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report that includes financial information for the health care plan. Interested parties can view the most recent *Comprehensive Annual Financial Report* at [www.strsoh.org](http://www.strsoh.org) or obtain a copy by calling (888)227-7877.

***Funding Policy*** - Under Ohio law, funding for postemployment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The 14 percent contribution is the maximum rate allowed under Ohio law.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

All STRS benefit recipients pay a portion of the health care cost in the form of a monthly premium. C-TEC's contributions allocated to fund postemployment health care benefits for the years ended June 30, 2008, 2007, and 2006 were \$75,034, \$66,711, and \$68,125 respectively; 100 percent has been contributed for years 2008, 2007, and 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007 (the latest information year available). For the year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000 and STRS had 122,934 eligible benefit recipients.

**Health Care Plan** - Ohio law authorizes SERS Ohio to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code (ORC) postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administrated in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18 percent. The actuarially required contributions (ARC), as of December 31, 2007 annual valuation was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. Career and Technology Education Centers of Licking County's contributions for the years ended June 30, 2008, 2007, 2006 were \$167,059, \$126,887, and \$124,481 respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

**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 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 240 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 250 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 60 days for all employees. C-TEC also credits one day for every year of experience, beyond ten years, with C-TEC.

**Insurance Benefits**

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

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

**NOTE 14 - LONG-TERM LIABILITIES**

The changes in C-TEC's long-term liabilities during fiscal year 2008 were as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding at July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding at June 30, 2008</u>	<u>Amount Due in One Year</u>
<b><u>Governmental Activities:</u></b>							
Energy Conservation Note	1999	5.24%	\$394,402	\$0	\$124,813	\$269,589	\$131,353
General Obligation Bonds	2002	2.00 - 5.375%	28,450,000	0	2,035,000	26,415,000	2,240,000
Construction Loan	2005	0.00%	400,000	0	33,333	366,667	33,333
Bond Anticipation Note	2007	4.50%	3,300,000	0	3,300,000	0	0
Bond Anticipation Note	2008	4.50%	0	3,300,000	0	3,300,000	3,300,000
<i>Add Deferred Amounts:</i>							
Issuance Premium on Bonds	N/A	N/A	575,730	0	33,866	541,864	33,866
Compensated Absences	N/A	N/A	823,130	387,842	380,453	830,519	181,916
<b>Total Governmental Activities Long-Term Liabilities</b>			<b>\$33,943,262</b>	<b>\$3,687,842</b>	<b>\$5,907,465</b>	<b>\$31,723,639</b>	<b>\$5,920,468</b>

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

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

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

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

*Bond Anticipation Note* - In September 2007, C-TEC had a bond anticipation note in the amount of \$3,300,000, for the purpose of paying general expenses incurred due to the construction of the new facility. This note was due to mature in September 2008 and was refinanced for the full amount into a new note with a final maturity of September 2009.

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

C-TEC's overall legal debt margin was \$310,388,996, with an unvoted debt margin of \$3,375,600 and an energy conservation debt margin of \$33,410,811 at June 30, 2008.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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

Principal and interest requirements to retire the energy conservation note, general obligation bonds and construction loan outstanding at June 30, 2008, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Energy Conservation Note</u>	<u>General Obligation Bonds</u>	<u>Construction Loan</u>	<u>Bond Anticipation Note</u>	<u>Total</u>
2009	\$142,038	\$3,495,349	\$33,333	\$3,448,500	\$7,119,220
2010	141,858	1,897,279	33,333	0	2,072,470
2011	0	1,950,791	33,334	0	1,984,125
2012	0	2,009,434	33,333	0	2,042,767
2013	0	2,085,619	33,333	0	2,118,952
2014-2018	0	11,317,155	166,668	0	11,483,823
2019-2023	0	13,216,841	33,333	0	13,250,174
2024-2025	0	2,907,450	0	0	2,907,450
Total Debt Payments	283,896	38,879,918	366,667	3,448,500	42,978,981
Less: Interest	14,307	12,464,918	0	148,500	12,627,725
Total Principal	<u>\$269,589</u>	<u>\$26,415,000</u>	<u>\$366,667</u>	<u>\$3,300,000</u>	<u>\$30,351,256</u>

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

**NOTE 15 - INTERFUND ACTIVITY**

As of June 30, 2008, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$270,034	\$0
Adult Education	0	170,000
<i>Nonmajor Special Revenue Funds:</i>		
District Managed Activities	0	1,020
Post-Secondary Vocational Education	0	10,292
Miscellaneous State Grants	0	26,020
Adult Basic Education	0	29,616
Vocational Education	0	30,762
Reducing Class Size	0	2,324
Total Nonmajor Special Revenue Fund	0	100,034
Total	\$270,034	\$270,034

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

As of June 30, 2008, C-TEC had interfund transactions as follows:

Transfers From	Transfers To Nonmajor Special Revenue Funds
General	\$140,490

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

**NOTE 16 - STATUTORY SET-ASIDES**

The following changes occurred in C-TEC's set-aside reserve accounts during fiscal year 2008:

	Textbooks	Capital Improvements	Totals
Set-Aside Reserve Balance as of July 1, 2007	(\$2,079,260)	(\$35,042,672)	(\$37,121,932)
Current Year Set-Aside Requirement	109,416	109,416	218,832
Qualifying Disbursements	(733,646)	(333,758)	(1,067,404)
Totals	(2,703,490)	(35,267,014)	(37,970,504)
Set-Aside Balance Carried Forward to Future Fiscal Years	(\$2,703,490)	(\$35,267,014)	(\$37,970,504)
Set-Aside Reserve Balance as of June 30, 2008	\$0	\$0	\$0

C-TEC had qualifying disbursements during the year that exceeded the current year set-aside requirements in both the textbook and capital improvement reserve accounts, the excesses in both the textbook and capital acquisition reserve accounts can be carried forward to offset future years' set-aside requirements. Each reserve must be represented by restricted cash at year-end and carried forward to be used for the same purposes in future years.

**NOTE 17 - CONTRACTUAL COMMITMENTS**

As of June 30, 2008, C-TEC had a contractual commitment related to the construction of new facilities. The amount for this contractor is as follows:

Contractor	Purchase Commitment	Amount Paid as of June 30, 2008	Amount Remaining on Contract
Robertson Construction Inc.	\$4,263,819	\$4,247,001	\$16,818

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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**NOTE 18 - JOINTLY GOVERNED ORGANIZATION**

**Licking Area Computer Association (LACA)**

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

C-TEC is the fiscal agent for LACA. Financial statements for LACA can be obtained from Career and Technology Education Centers of Licking County administrative offices at 150 Price Road, Newark, Ohio 43055. C-TEC made payments of \$49,699 to LACA in fiscal year 2008.

**NOTE 19 - INSURANCE PURCHASING POOL**

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

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

**NOTE 20 - CONTINGENCIES**

**Grants**

C-TEC received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of C-TEC at June 30, 2008.



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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**NOTE 21 – LITIGATION**

C-TEC began major construction of its additions and renovations project in 2004. C-TEC engaged Kimball & Associates as its architect and Claggett & Sons, Inc. as its general trades contractor for the project. C-TEC terminated Claggett's contract for default in February 2006 prior to Claggett completing its scope of work on the project. Claggett filed suit against C-TEC and Kimball on April 10, 2006, in *Claggett & Sons, Inc. v. Board of Education for the Licking County Joint Vocational School District, et al.*, Case No. 06CV0488 in the Licking County Court of Common Pleas. C-TEC filed a counterclaim against Claggett and a third party claim against Ohio Farmers Insurance Company, Claggett's bonding company. Claggett has produced an expert report as part of the on-going discovery process in this case in which Claggett has quantified its damages against C-TEC and Kimball in the amount of \$4,967,267.00 plus interest and attorney fees. C-TEC is seeking damages against Claggett and Ohio Farmers in an amount in excess of \$5,877,219.40 plus interest and attorney fees. Summary judgment motions are pending. A jury trial is scheduled for April 28, 2009. The parties are currently attempting to schedule a mediation in advance of the trial date.

Subcontractor Valley Roofing has filed a mechanic's lien against public funds for the project in the amount of \$106,293.40, and has taken action to foreclose upon it.

A final determination of the outcome of the litigation cannot be determined by management at this time.

**NOTE 22 – SUBSEQUENT EVENTS**

In September 2008, C-TEC refinanced a bond anticipation note in the amount of \$3,300,000, which has a maturity date of September 2009.

In November 2008, C-TEC made the decision to pay off the entire Energy Conservation Note of \$269,589, which was due to mature in December 2009.

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**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Federal Pell Grant Program	84.063	\$ 128,067	\$ 129,112
<i>Passed Through Ohio Department of Education:</i>			
Adult Education- State Grant Program (IDEA Part B)	84.002	125,971	159,292
Vocational Education- Basic Grants to States	84.048	437,880	468,849
Safe and Drug Free Schools and Communities - State Grants	84.186	1,156	907
State Grants for Innovative Programs	84.298	1,855	1,855
Vocational Education - Occupational and Employment Information State Grants	84.346	10,800	17,759
Improving Teacher Quality State Grants	84.367	5,275	7,599
Total Federal Receipts and Expenditures		<u>\$ 711,004</u>	<u>\$ 785,373</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, 2008**

**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.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Career and Technology Education Centers, Licking County, Ohio, (the Center) as of and for the year ended June 30, 2008, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the Center's management in a separate letter dated January 16, 2009.

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

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

We did note certain noncompliance or other matters that we reported to the Center's management in a separate letter dated January 16, 2009.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 16, 2009



# Mary Taylor, CPA

## Auditor of State

### 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 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, 2008. 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 the 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, 2008.

#### Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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

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

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 16, 2009



**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2008**

<i>Finding Number</i>	<i>Finding Summary</i>	<i>Fully Corrected?</i>	<i>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b></i>
2007-001	Financial Statement Presentation	Yes	
2007-002	Center posted note proceeds to the General Fund instead of the Building Fund as required by the Center's Note Resolution.	Yes	
2007-003	Certification of Funds	No	Partially Corrected. Reissued in Management Letter
2007-004	Not submitting Data Collection Form	Yes	



**Mary Taylor, CPA**  
Auditor of State

**CAREER AND TECHNOLOGY EDUCATION CENTERS**

**LICKING COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 19, 2009**