



**Auditor of State  
Betty Montgomery**



**MID-EAST CAREER AND TECHNOLOGY CENTERS  
MUSKINGUM COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Mid-East Career and Technology Centers  
Muskingum County  
400 Richards Road  
Zanesville, Ohio 43701

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 Mid-East Career and Technology Centers, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District'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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mid-East Career and Technology Centers, Muskingum County, Ohio, as of June 30, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund and the Adult Education Fund 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 March 13, 2006, on our consideration of the School District'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 School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures 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 Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

March 13, 2006

Mid-East Career and Technology Centers, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

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The discussion and analysis of the Mid-East Career and Technology Centers' financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2005 are as follows:

- In total, net assets of governmental activities increased \$1,061,802.
- General revenues accounted for \$10,655,719 in revenue or 64.3 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,919,467 or 35.7 percent of total revenues of \$16,575,186.
- Total assets of governmental activities increased by \$1,595,120 due to additional state foundation funding as a result of increased enrollment.
- The School District had \$15,513,384 in expenses related to governmental activities; only \$5,919,467 of these expenses were offset by program specific charges for services, grants and contributions, and interest. General revenues (primarily taxes and intergovernmental) of \$10,655,719 were adequate enough to provide for these programs.
- The School District has three major funds, the General Fund, Adult Education Special Revenue Fund, and the Permanent Improvement Capital Projects Fund. The General Fund had \$12,677,406 in revenues and \$11,212,566 in expenditures. The General Fund's balance increased \$920,075. The Adult Education Special Revenue Fund had \$1,784,644 in revenues and \$1,760,101 in expenditures and fund balance increased \$24,543. The Permanent Improvement Capital Projects Fund had \$51,087 in revenues and \$175,125 in expenditures and the fund balance increased \$341,727.

### **Using this Basic Financial Statements Report**

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Mid-East Career and Technology Centers, the General Fund, Adult Education Special Revenue Fund and the Permanent Improvement Capital Projects Fund are the major funds.

Mid-East Career and Technology Centers, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
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## **Reporting the School District as a Whole**

### *Statement of Net Assets and Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2004-2005 fiscal year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District's activities are all considered to be Governmental Activities:

- Governmental Activities – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

## **Reporting the School District's Most Significant Funds**

### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Adult Education Special Revenue Fund and the Permanent Improvement Capital Projects Fund.

**Governmental Funds** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.



Mid-East Career and Technology Centers, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004.

Table 1  
Net Assets

|  | Governmental Activities |              |             |
|--|-------------------------|--------------|-------------|
|  | 2005                    | 2004         | Change      |
| <b>Assets</b>                                      |                         |              |             |
| Current and Other Assets                           | \$15,573,164            | \$13,794,035 | \$1,779,129 |
| Capital Assets                                     | 4,561,316               | 4,745,325    | (184,009)   |
| Total Assets                                       | 20,134,480              | 18,539,360   | 1,595,120   |
| <b>Liabilities</b>                                 |                         |              |             |
| Long-Term Liabilities                              | (981,519)               | (897,954)    | (83,565)    |
| Other Liabilities                                  | (4,699,205)             | (4,249,452)  | (449,753)   |
| Total Liabilities                                  | (5,680,724)             | (5,147,406)  | (533,318)   |
| <b>Net Assets</b>                                  |                         |              |             |
| Invested in Capital Assets,<br>Net of Related Debt | 4,364,091               | 4,465,911    | (101,820)   |
| Restricted   | 1,004,758               | 991,856      | 12,902      |
| Unrestricted                                       | 9,084,907               | 7,934,187    | 1,150,720   |
| Total Net Assets                                   | \$14,453,756            | \$13,391,954 | \$1,061,802 |

Total net assets increased \$1,061,802. This increase is primarily due to an increase in cash and cash equivalents of \$1,297,343. The increase is based on the School District receiving additional state foundation monies due to an increase in enrollment. In addition, the School District saw an increase in the participation of adult education classes.

Total liabilities increased by \$533,318. Accrued wage and benefits payable increased \$145,649 and intergovernmental payable increased \$98,181. These increases are the result of a 3% base increase and a 1.85% step increase in salaries. Deferred revenue increased \$229,702.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005, and comparisons to fiscal year 2004.

Mid-East Career and Technology Centers, Ohio  
Management's Discussion and Analysis  
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Unaudited

Table 2  
Change in Net Assets

|   | Governmental Activities |                   |
|---|-------------------------|-------------------|
|   | 2005                    | 2004              |
| <b>Revenues</b>                               |                         |                   |
| Program Revenues:                             |                         |                   |
| Charges for Services                          | \$1,939,771             | \$1,437,255       |
| Operating Grants, Contributions, and Interest | 3,941,453               | 3,187,973         |
| Capital Grants and Contributions              | 38,243                  | 38,420            |
| Total Program Revenues                        | <u>5,919,467</u>        | <u>4,663,648</u>  |
| General Revenues:                             |                         |                   |
| Property Taxes                                | 4,991,261               | 4,680,615         |
| Grants and Entitlements                       | 5,383,820               | 5,505,543         |
| Other   | 280,638                 | 159,743           |
| Total General Revenues                        | <u>10,655,719</u>       | <u>10,345,901</u> |
| Total Revenues                                | <u>16,575,186</u>       | <u>15,009,549</u> |
| <b>Program Expenses</b>                       |                         |                   |
| Instruction:                                  |                         |                   |
| Regular                                       | 1,760,828               | 1,551,705         |
| Vocational                                    | 5,801,539               | 5,280,689         |
| Adult/Continuing                              | 1,812,457               | 1,635,550         |
| Support Services:                             |                         |                   |
| Pupils  | 1,204,728               | 1,159,117         |
| Instructional Staff                           | 801,093                 | 692,653           |
| Board of Education                            | 89,702                  | 120,329           |
| Administration                                | 1,134,846               | 1,067,532         |
| Fiscal  | 529,584                 | 518,761           |
| Business                                      | 166,611                 | 179,865           |
| Operation and Maintenance of Plant            | 1,417,364               | 1,396,884         |
| Pupil Transportation                          | 70,636                  | 62,387            |
| Central                                       | 296,281                 | 235,845           |
| Operation of Non-Instructional Services       | 362,919                 | 362,638           |
| Extracurricular Activities                    | 64,796                  | 71,885            |
| Interest                                      | 0                       | 4,773             |
| Total Expenses                                | <u>15,513,384</u>       | <u>14,340,613</u> |
| Change in Net Assets                          | <u>\$1,061,802</u>      | <u>\$668,936</u>  |

The School District's net assets increased \$1,061,802. Charges for services increased \$502,516 due to an increase in enrollment for adult education classes. Operating grants, contributions and interest increased \$753,480 due to a \$610,238 increase in state aid. The increase in state aid is based upon an increase in ADM during fiscal year 2005 and increases in special education and career technical weighted amounts. The increase in operating grants, contributions, and interest is offset by an increase in vocational education expenses of \$520,850 due to an increase in enrollment.

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Unaudited

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Property taxes made up 30.1 percent of revenues for governmental activities for Mid-East Career and Technology Centers in fiscal year 2005.

The largest Governmental Activities program expense is vocational instruction, which comprises 37.4 percent of expenses.

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

Table 3  
Governmental Activities

|   | Total Cost of<br>Services<br>2005 | Net Cost of<br>Services<br>2005 | Total Cost of<br>Services<br>2004 | Net Cost of<br>Services<br>2004 |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Instructional Services:                 |                                   |                                 |                                   |                                 |
| Regular                                 | \$1,760,828                       | \$1,715,122                     | \$1,551,705                       | \$1,508,011                     |
| Vocational                              | 5,801,539                         | 2,985,108                       | 5,280,689                         | 3,281,201                       |
| Adult/Continuing                        | 1,812,457                         | 22,706                          | 1,635,550                         | 152,151                         |
| Support Services:                       |                                   |                                 |                                   |                                 |
| Pupils                                  | 1,204,728                         | 896,398                         | 1,159,117                         | 868,617                         |
| Instructional Staff                     | 801,093                           | 335,182                         | 692,653                           | 323,739                         |
| Board of Education                      | 89,702                            | 87,759                          | 120,329                           | 117,854                         |
| Administration                          | 1,134,846                         | 1,103,205                       | 1,067,532                         | 1,039,820                       |
| Fiscal                                  | 529,584                           | 472,846                         | 518,761                           | 463,991                         |
| Business                                | 166,611                           | 163,238                         | 179,865                           | 173,977                         |
| Operation and Maintenance of Plant      | 1,417,364                         | 1,388,020                       | 1,396,884                         | 1,369,214                       |
| Pupil Transportation                    | 70,636                            | 69,775                          | 62,387                            | 61,636                          |
| Central                                 | 296,281                           | 267,101                         | 235,845                           | 202,033                         |
| Operation of Non-Instructional Services | 362,919                           | 27,087                          | 362,638                           | 47,882                          |
| Extracurricular Activities              | 64,796                            | 60,370                          | 71,885                            | 62,066                          |
| Interest                                | 0                                 | 0                               | 4,773                             | 4,773                           |
| Total Expenses                          | <u>\$15,513,384</u>               | <u>\$9,593,917</u>              | <u>\$14,340,613</u>               | <u>\$9,676,965</u>              |

Instructional programs comprise 60.4 percent of total governmental program expenses. Of the instructional expenses, approximately 61.9 percent is for vocational instruction, 19.3 percent is for adult/continuing instruction and 18.8 percent is for regular instruction.

Mid-East Career and Technology Centers, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

Over the past several years the School District has remained in a stable financial position. The School District receives tax revenues from Muskingum, Guernsey, Licking, Coshocton, Perry, and Noble Counties.

***The School District Funds***

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,526,314 and expenditures of \$15,154,760. The net change in fund balance before other financing sources and uses for the year was most significant in the General Fund, an increase of \$1,464,840. This change in fund balance indicates that the School District has been consistent in meeting School District current obligations.

***Budgeting Highlights***

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

During the course of fiscal year 2005, the School District amended its General Fund and Adult Education Special Revenue Fund budgets, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

The School District's ending General Fund balance was \$1,158,675 above the final budgeted amount. The School District's ending Adult Education Special Revenue Fund balance was \$227,142 above the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2005, the School District had \$4,561,316 invested in land, buildings and improvements, vehicles, and machinery, equipment, furniture, and fixtures. Table 4 shows fiscal year 2005 balances compared to 2004.

Table 4  
Capital Assets at June 30

|  | Governmental Activities |             |
|--|-------------------------|-------------|
|  | 2005                    | 2004        |
| Land   | \$333,075               | \$333,075   |
| Buildings and Improvements                   | 3,505,973               | 3,702,127   |
| Vehicles                                     | 106,757                 | 111,572     |
| Machinery, Equipment, Furniture and Fixtures | 615,511                 | 598,551     |
| Totals                                       | \$4,561,316             | \$4,745,325 |

See Note 10 for more detailed information of the School District's capital assets.

Mid-East Career and Technology Centers, Ohio  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2005  
 Unaudited

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**Debt**

At June 30, 2005, the School District had \$131,527 in a building construction assistance loan with \$65,765 due in one year. Table 5 summarizes the building construction assistance loan outstanding:

Table 5  
 Outstanding Debt, at Year End

|  | Governmental<br>Activities<br>2005 | Governmental<br>Activities<br>2004 |
|--|------------------------------------|------------------------------------|
| Governmental Activities:                   |                                    |                                    |
| 1987 Building Construction Assistance Loan | \$131,527                          | \$197,292                          |

The Building Construction Assistance Loan was used for construction projects at the Muskingum Perry and Guernsey Noble Career Centers and will be paid from the Permanent Improvement Capital Projects Fund. See Notes 16 and 17 for more detailed information about the School District's debt.

**Economic Factors**

During fiscal year 2005, general fund revenues exceeded general fund expenditures by \$1,464,840. This excess is due to an increase in basic state aid based upon an increase in enrollment. However, as the preceding information shows, the School District depends on its property taxpayers. Based on the current financial situation, and the ability to maintain current program and staffing levels, the School District is able to maintain financial stability.

The Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the School District as well as careful planning to ensure that significant outlays may be made in the future to address our facility needs.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Richard L. White, Treasurer/CFO at Mid-East Career and Technology Centers, 400 Richards Road, Zanesville, Ohio 43701, or e-mail at [rwhite@mid-east.k12.oh.us](mailto:rwhite@mid-east.k12.oh.us).

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Mid-East Career and Technology Centers, Ohio  
Statement of Net Assets  
June 30, 2005

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>Assets</b>                                   |                            |
| Equity in Pooled Cash and Cash Equivalents      | \$10,179,850               |
| Accounts Receivable                             | 29,555                     |
| Intergovernmental Receivable                    | 249,103                    |
| Inventory Held for Resale                       | 8,099                      |
| Materials and Supplies Inventory                | 38,849                     |
| Prepaid Items                                   | 175,081                    |
| Property Taxes Receivable                       | 4,870,123                  |
| Payment in Lieu of Taxes Receivable             | 22,504                     |
| Nondepreciable Capital Assets                   | 333,075                    |
| Depreciable Capital Assets, Net                 | 4,228,241                  |
| Total Assets                                    | 20,134,480                 |
| <b>Liabilities</b>                              |                            |
| Accounts Payable                                | 18,551                     |
| Accrued Wages and Benefits Payable              | 1,237,512                  |
| Matured Compensated Absences Payable            | 43,972                     |
| Intergovernmental Payable                       | 285,059                    |
| Claims Payable                                  | 40,525                     |
| Deferred Revenue                                | 2,981,838                  |
| Vacation Benefits Payable                       | 91,748                     |
| Long-Term Liabilities:                          |                            |
| Due Within One Year                             | 190,800                    |
| Due In More Than One Year                       | 790,719                    |
| Total Liabilities                               | 5,680,724                  |
| <b>Net Assets</b>                               |                            |
| Invested in Capital Assets, Net of Related Debt | 4,364,091                  |
| Restricted for:                                 |                            |
| Capital Projects                                | 43,181                     |
| Budget Stabilization                            | 45,566                     |
| Other Purposes                                  | 916,011                    |
| Unrestricted                                    | 9,084,907                  |
| Total Net Assets                                | \$14,453,756               |

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

Mid-East Career and Technology Centers, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2005

|   | Expenses            | Program Revenues               |   |                                  | Net Expense and Change in Net Assets |
|---|---------------------|--------------------------------|---|----------------------------------|--------------------------------------|
|   |                     | Charges for Services and Sales | Operating Grants, Contributions, and Interest | Capital Grants and Contributions | Governmental Activities              |
| <b>Governmental Activities</b>                              |                     |                                |   |                                  |                                      |
| Instruction:  |                     |                                |   |                                  |                                      |
| Regular   | \$1,760,828         | \$37,150                       | \$8,556                                       | \$0                              | (\$1,715,122)                        |
| Vocational  | 5,801,539           | 285,945                        | 2,507,540                                     | 22,946                           | (2,985,108)                          |
| Adult/Continuing  | 1,812,457           | 1,084,760                      | 689,694                                       | 15,297                           | (22,706)                             |
| Support Services:   |                     |                                |   |                                  |                                      |
| Pupils  | 1,204,728           | 18,420                         | 289,910                                       | 0                                | (896,398)                            |
| Instructional Staff   | 801,093             | 186,831                        | 279,080                                       | 0                                | (335,182)                            |
| Board of Education  | 89,702              | 1,869                          | 74  | 0                                | (87,759)                             |
| Administration  | 1,134,846           | 23,583                         | 8,058   | 0                                | (1,103,205)                          |
| Fiscal  | 529,584             | 43,844                         | 12,894  | 0                                | (472,846)                            |
| Business  | 166,611             | 3,245                          | 128   | 0                                | (163,238)                            |
| Operation and Maintenance of Plant                          | 1,417,364           | 26,938                         | 2,406   | 0                                | (1,388,020)                          |
| Pupil Transportation  | 70,636              | 828                            | 33  | 0                                | (69,775)                             |
| Central   | 296,281             | 5,752                          | 23,428  | 0                                | (267,101)                            |
| Operation of Non-Instructional Services                     | 362,919             | 216,232                        | 119,600                                       | 0                                | (27,087)                             |
| Extracurricular Activities                                  | 64,796              | 4,374                          | 52  | 0                                | (60,370)                             |
| Total Governmental Activities                               | <u>\$15,513,384</u> | <u>\$1,939,771</u>             | <u>\$3,941,453</u>                            | <u>\$38,243</u>                  | <u>(9,593,917)</u>                   |
| <b>General Revenues</b>                                     |                     |                                |   |                                  |                                      |
| Property Taxes Levied for General Purposes                  |                     |                                |   |                                  | 4,991,261                            |
| Payment in Lieu of Taxes                                    |                     |                                |   |                                  | 31,989                               |
| Grants and Entitlements not Restricted to Specific Programs |                     |                                |   |                                  | 5,383,820                            |
| Investment Earnings   |                     |                                |   |                                  | 214,083                              |
| Miscellaneous   |                     |                                |   |                                  | 34,566                               |
| Total General Revenues                                      |                     |                                |   |                                  | <u>10,655,719</u>                    |
| Change in Net Assets  |                     |                                |   |                                  | 1,061,802                            |
| Net Assets Beginning of Year                                |                     |                                |   |                                  | <u>13,391,954</u>                    |
| Net Assets End of Year                                      |                     |                                |   |                                  | <u><u>\$14,453,756</u></u>           |

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



Mid-East Career and Technology Centers, Ohio

Balance Sheet  
Governmental Funds  
June 30, 2005

|  | General             | Adult<br>Education | Permanent<br>Improvement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------|--------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                     |                    |                          |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | \$6,078,396         | \$795,116          | \$2,705,198              | \$434,230                      | \$10,012,940                   |
| Inventory Held for Resale                  | 0                   | 0                  | 0                        | 8,099                          | 8,099                          |
| Materials and Supplies Inventory           | 34,371              | 0                  | 0                        | 4,478                          | 38,849                         |
| Accounts Receivable                        | 29,555              | 0                  | 0                        | 0                              | 29,555                         |
| Intergovernmental Receivable               | 1,617               | 68,855             | 0                        | 178,631                        | 249,103                        |
| Interfund Receivable                       | 100,000             | 0                  | 0                        | 0                              | 100,000                        |
| Prepaid Items                              | 139,413             | 19,759             | 0                        | 15,909                         | 175,081                        |
| Restricted Assets:                         |                     |                    |                          |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | 54,068              | 0                  | 0                        | 0                              | 54,068                         |
| Payment In Lieu of Taxes Receivable        | 22,504              | 0                  | 0                        | 0                              | 22,504                         |
| Property Taxes Receivable                  | 4,870,123           | 0                  | 0                        | 0                              | 4,870,123                      |
| <b>Total Assets</b>                        | <b>\$11,330,047</b> | <b>\$883,730</b>   | <b>\$2,705,198</b>       | <b>\$641,347</b>               | <b>\$15,560,322</b>            |
| <b>Liabilities</b>                         |                     |                    |                          |                                |                                |
| Accounts Payable                           | \$11,509            | \$1,276            | \$4,800                  | \$966                          | \$18,551                       |
| Accrued Wages and Benefits Payable         | 1,020,838           | 82,663             | 0                        | 134,011                        | 1,237,512                      |
| Matured Compensated Absences Payable       | 41,221              | 0                  | 0                        | 2,751                          | 43,972                         |
| Intergovernmental Payable                  | 231,533             | 22,272             | 0                        | 31,254                         | 285,059                        |
| Interfund Payable                          | 0                   | 0                  | 0                        | 100,000                        | 100,000                        |
| Deferred Revenue                           | 3,493,469           | 68,480             | 0                        | 77,141                         | 3,639,090                      |
| <b>Total Liabilities</b>                   | <b>4,798,570</b>    | <b>174,691</b>     | <b>4,800</b>             | <b>346,123</b>                 | <b>5,324,184</b>               |
| <b>Fund Balances</b>                       |                     |                    |                          |                                |                                |
| Reserved for Encumbrances                  | 115,146             | 6,784              | 58,462                   | 1,555                          | 181,947                        |
| Reserved for Unclaimed Monies              | 8,502               | 0                  | 0                        | 0                              | 8,502                          |
| Reserved for Budget Stabilization          | 45,566              | 0                  | 0                        | 0                              | 45,566                         |
| Reserved for Property Taxes                | 1,363,466           | 0                  | 0                        | 0                              | 1,363,466                      |
| Unreserved:                                |                     |                    |                          |                                |                                |
| Designated:                                |                     |                    |                          |                                |                                |
| Designated for Budget Stabilization        | 128,102             | 0                  | 0                        | 0                              | 128,102                        |
| Undesignated, Reported in:                 |                     |                    |                          |                                |                                |
| General Fund                               | 4,870,695           | 0                  | 0                        | 0                              | 4,870,695                      |
| Special Revenue Funds                      | 0                   | 702,255            | 0                        | 250,488                        | 952,743                        |
| Capital Projects Funds                     | 0                   | 0                  | 2,641,936                | 43,181                         | 2,685,117                      |
| <b>Total Fund Balances</b>                 | <b>6,531,477</b>    | <b>709,039</b>     | <b>2,700,398</b>         | <b>295,224</b>                 | <b>10,236,138</b>              |
| <b>Total Liabilities and Fund Balances</b> | <b>\$11,330,047</b> | <b>\$883,730</b>   | <b>\$2,705,198</b>       | <b>\$641,347</b>               |                                |

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 4,561,316

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

|                                     |         |         |
|-------------------------------------|---------|---------|
| Property Taxes                      | 511,631 |         |
| Grants                              | 145,621 |         |
| <b>Total Other Long-Term Assets</b> |         | 657,252 |

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 72,317

Vacation benefits payable include amounts not expected to be paid with expendable available financial resources and therefore are not reported in the funds. (91,748)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

|  |           |                     |
|--|-----------|---------------------|
| School Loan Payable                          | (131,527) |                     |
| Capital Leases Payable                       | (65,698)  |                     |
| Compensated Absences                         | (784,294) |                     |
| <b>Total Long-Term Liabilities</b>           |           | (981,519)           |
| <b>Net Assets of Governmental Activities</b> |           | <b>\$14,453,756</b> |

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

Mid-East Career and Technology Centers, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2005

|   | General            | Adult<br>Education | Permanent<br>Improvement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|--------------------|--------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                                     |                    |                    |                          |                                |                                |
| Property Taxes                                      | \$4,879,018        | \$0                | \$0                      | \$0                            | \$4,879,018                    |
| Payment in Lieu of Taxes                            | 31,989             | 0                  | 0                        | 0                              | 31,989                         |
| Intergovernmental                                   | 7,348,994          | 478,235            | 0                        | 1,601,590                      | 9,428,819                      |
| Interest  | 149,232            | 9,278              | 51,087                   | 2,554                          | 212,151                        |
| Tuition and Fees                                    | 0                  | 1,297,131          | 0                        | 186,867                        | 1,483,998                      |
| Charges for Services                                | 239,541            | 0                  | 0                        | 216,232                        | 455,773                        |
| Miscellaneous                                       | 28,632             | 0                  | 0                        | 5,934                          | 34,566                         |
| <b>Total Revenues</b>                               | <b>12,677,406</b>  | <b>1,784,644</b>   | <b>51,087</b>            | <b>2,013,177</b>               | <b>16,526,314</b>              |
| <b>Expenditures</b>                                 |                    |                    |                          |                                |                                |
| Current:  |                    |                    |                          |                                |                                |
| Instruction:  |                    |                    |                          |                                |                                |
| Regular   | 1,729,866          | 0                  | 0                        | 8,884                          | 1,738,750                      |
| Vocational  | 4,804,219          | 0                  | 0                        | 790,898                        | 5,595,117                      |
| Adult/Continuing                                    | 16,941             | 1,469,863          | 0                        | 292,578                        | 1,779,382                      |
| Support Services:                                   |                    |                    |                          |                                |                                |
| Pupils  | 867,133            | 0                  | 0                        | 308,205                        | 1,175,338                      |
| Instructional Staff                                 | 351,880            | 239,749            | 0                        | 214,641                        | 806,270                        |
| Board of Education                                  | 88,458             | 0                  | 0                        | 0                              | 88,458                         |
| Administration                                      | 1,073,057          | 0                  | 0                        | 6,381                          | 1,079,438                      |
| Fiscal  | 462,648            | 50,489             | 0                        | 0                              | 513,137                        |
| Business  | 159,096            | 0                  | 0                        | 0                              | 159,096                        |
| Operation and Maintenance of Plant                  | 1,267,679          | 0                  | 109,360                  | 1,566                          | 1,378,605                      |
| Pupil Transportation                                | 40,507             | 0                  | 0                        | 0                              | 40,507                         |
| Central   | 272,607            | 0                  | 0                        | 27,012                         | 299,619                        |
| Operation of Non-Instructional Services             | 0                  | 0                  | 0                        | 354,058                        | 354,058                        |
| Extracurricular Activities                          | 62,051             | 0                  | 0                        | 2,745                          | 64,796                         |
| Debt Service:                                       |                    |                    |                          |                                |                                |
| Principal Retirement                                | 16,424             | 0                  | 65,765                   | 0                              | 82,189                         |
| <b>Total Expenditures</b>                           | <b>11,212,566</b>  | <b>1,760,101</b>   | <b>175,125</b>           | <b>2,006,968</b>               | <b>15,154,760</b>              |
| <b>Excess of Revenues Over (Under) Expenditures</b> | <b>1,464,840</b>   | <b>24,543</b>      | <b>(124,038)</b>         | <b>6,209</b>                   | <b>1,371,554</b>               |
| <b>Other Financing Sources (Uses)</b>               |                    |                    |                          |                                |                                |
| Transfers In  | 0                  | 0                  | 465,765                  | 79,000                         | 544,765                        |
| Transfers Out                                       | (544,765)          | 0                  | 0                        | 0                              | (544,765)                      |
| <b>Total Other Financing Sources (Uses)</b>         | <b>(544,765)</b>   | <b>0</b>           | <b>465,765</b>           | <b>79,000</b>                  | <b>0</b>                       |
| <b>Net Change in Fund Balances</b>                  | <b>920,075</b>     | <b>24,543</b>      | <b>341,727</b>           | <b>85,209</b>                  | <b>1,371,554</b>               |
| <b>Fund Balances Beginning of Year</b>              | <b>5,611,402</b>   | <b>684,496</b>     | <b>2,358,671</b>         | <b>210,015</b>                 | <b>8,864,584</b>               |
| <b>Fund Balances End of Year</b>                    | <b>\$6,531,477</b> | <b>\$709,039</b>   | <b>\$2,700,398</b>       | <b>\$295,224</b>               | <b>\$10,236,138</b>            |

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

Mid-East Career and Technology Centers, Ohio  
 Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$1,371,554

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

|                           |                  |           |
|---------------------------|------------------|-----------|
| Capital Asset Additions   | 142,263          |           |
| Current Year Depreciation | <u>(326,272)</u> | (184,009) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

|                           |                |        |
|---------------------------|----------------|--------|
| Grants                    | (66,763)       |        |
| Delinquent Property Taxes | <u>112,243</u> | 45,480 |

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 65,765

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement on net assets. 16,424

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

|                           |               |           |
|---------------------------|---------------|-----------|
| Compensated Absences      | (165,754)     |           |
| Vacation Benefits         | (12,856)      |           |
| Intergovernmental Payable | <u>27,060</u> | (151,550) |

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net loss of the internal service fund is reported with governmental activities. (101,862)

Change in Net Assets of Governmental Activities \$1,061,802

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

Mid-East Career and Technology Centers, Ohio  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2005

|  | Budgeted Amounts   |                    | Actual             | Variance<br>Positive<br>(Negative) |
|--|--------------------|--------------------|--------------------|------------------------------------|
|  | Original           | Final              |                    |                                    |
| <b>Revenues</b>                              |                    |                    |                    |                                    |
| Property Taxes                               | \$4,485,267        | \$4,592,187        | \$4,840,240        | \$248,053                          |
| Payment in Lieu of Taxes                     | 14,300             | 14,300             | 24,244             | 9,944                              |
| Intergovernmental                            | 6,987,100          | 7,150,180          | 7,352,099          | 201,919                            |
| Interest                                     | 80,000             | 80,000             | 137,789            | 57,789                             |
| Charges for Services                         | 261,040            | 261,040            | 243,485            | (17,555)                           |
| Miscellaneous                                | 23,633             | 23,633             | 20,262             | (3,371)                            |
| <b>Total Revenues</b>                        | <b>11,851,340</b>  | <b>12,121,340</b>  | <b>12,618,119</b>  | <b>496,779</b>                     |
| <b>Expenditures</b>                          |                    |                    |                    |                                    |
| Current:                                     |                    |                    |                    |                                    |
| Instruction:                                 |                    |                    |                    |                                    |
| Regular                                      | 1,611,330          | 1,686,732          | 1,678,904          | 7,828                              |
| Vocational                                   | 4,994,276          | 5,079,236          | 4,822,424          | 256,812                            |
| Adult/Continuing                             | 16,195             | 16,650             | 16,556             | 94                                 |
| Support Services:                            |                    |                    |                    |                                    |
| Pupils                                       | 779,204            | 821,327            | 848,359            | (27,032)                           |
| Instructional Staff                          | 349,231            | 381,657            | 360,233            | 21,424                             |
| Board of Education                           | 133,096            | 126,834            | 97,666             | 29,168                             |
| Administration                               | 1,103,717          | 1,117,122          | 1,085,517          | 31,605                             |
| Fiscal                                       | 807,077            | 615,174            | 450,567            | 164,607                            |
| Business                                     | 259,699            | 215,892            | 174,097            | 41,795                             |
| Operation and Maintenance of Plant           | 1,450,936          | 1,356,684          | 1,299,093          | 57,591                             |
| Pupil Transportation                         | 42,412             | 43,603             | 43,637             | (34)                               |
| Central                                      | 277,302            | 289,590            | 278,953            | 10,637                             |
| Operation of Non-Instructional Services      | 1,945              | 2,000              | 0                  | 2,000                              |
| Extracurricular Activities                   | 66,564             | 68,433             | 63,617             | 4,816                              |
| <b>Total Expenditures</b>                    | <b>11,892,984</b>  | <b>11,820,934</b>  | <b>11,219,623</b>  | <b>601,311</b>                     |
| Excess of Revenues Over (Under) Expenditures | (41,644)           | 300,406            | 1,398,496          | 1,098,090                          |
| <b>Other Financing Sources (Uses)</b>        |                    |                    |                    |                                    |
| Advances In                                  | 153,000            | 153,000            | 153,000            | 0                                  |
| Advances Out                                 | (153,000)          | (153,000)          | (100,000)          | 53,000                             |
| Transfers Out                                | (130,000)          | (552,350)          | (544,765)          | 7,585                              |
| <b>Total Other Financing Sources (Uses)</b>  | <b>(130,000)</b>   | <b>(552,350)</b>   | <b>(491,765)</b>   | <b>60,585</b>                      |
| Net Change in Fund Balance                   | (171,644)          | (251,944)          | 906,731            | 1,158,675                          |
| Fund Balance Beginning of Year               | 4,964,552          | 4,964,552          | 4,964,552          | 0                                  |
| Prior Year Encumbrances Appropriated         | 133,300            | 133,300            | 133,300            | 0                                  |
| <b>Fund Balance End of Year</b>              | <b>\$4,926,208</b> | <b>\$4,845,908</b> | <b>\$6,004,583</b> | <b>\$1,158,675</b>                 |

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

Mid-East Career and Technology Centers, Ohio  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Adult Education Special Revenue Fund  
For the Fiscal Year Ended June 30, 2005

|                                      | Budgeted Amounts |                  | Actual           | Variance<br>Positive<br>(Negative) |
|--------------------------------------|------------------|------------------|------------------|------------------------------------|
|                                      | Original         | Final            |                  |                                    |
| <b>Revenues</b>                      |                  |                  |                  |                                    |
| Intergovernmental                    | \$433,895        | \$475,100        | \$478,235        | \$3,135                            |
| Interest                             | 0                | 0                | 7,959            | 7,959                              |
| Tuition and Fees                     | 1,408,744        | 1,542,452        | 1,296,756        | (245,696)                          |
| <b>Total Revenues</b>                | <b>1,842,639</b> | <b>2,017,552</b> | <b>1,782,950</b> | <b>(234,602)</b>                   |
| <b>Expenditures</b>                  |                  |                  |                  |                                    |
| Current:                             |                  |                  |                  |                                    |
| Instruction:                         |                  |                  |                  |                                    |
| Adult/Continuing                     | 1,564,538        | 1,903,669        | 1,483,284        | 420,385                            |
| Support Services:                    |                  |                  |                  |                                    |
| Instructional Staff                  | 204,237          | 247,121          | 210,397          | 36,724                             |
| Fiscal                               | 46,291           | 53,940           | 49,305           | 4,635                              |
| <b>Total Expenditures</b>            | <b>1,815,066</b> | <b>2,204,730</b> | <b>1,742,986</b> | <b>461,744</b>                     |
| Net Change in Fund Balance           | 27,573           | (187,178)        | 39,964           | 227,142                            |
| Fund Balance Beginning of Year       | 728,825          | 728,825          | 728,825          | 0                                  |
| Prior Year Encumbrances Appropriated | 18,136           | 18,136           | 18,136           | 0                                  |
| <b>Fund Balance End of Year</b>      | <b>\$774,534</b> | <b>\$559,783</b> | <b>\$786,925</b> | <b>\$227,142</b>                   |

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

Mid-East Career and Technology Centers, Ohio  
Statement of Fund Net Assets  
Health Self-Insurance Internal Service Fund  
June 30, 2005

**Current Assets**

Equity in Pooled Cash and Cash Equivalents \$112,842

**Current Liabilities**

Claims Payable 40,525

**Net Assets**

Unrestricted \$72,317

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

Mid-East Career and Technology Centers, Ohio  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Health Self-Insurance Internal Service Fund  
For the Fiscal Year Ended June 30, 2005

|                               |                        |
|-------------------------------|------------------------|
| <b>Operating Revenues</b>     |                        |
| Charges for Services          | <u>\$440,039</u>       |
| <b>Operating Expenses</b>     |                        |
| Purchased Services            | 69,044                 |
| Claims                        | <u>476,249</u>         |
| Total Operating Expenses      | <u>545,293</u>         |
| Operating Loss                | (105,254)              |
| <b>Non-Operating Revenues</b> |                        |
| Interest                      | <u>3,392</u>           |
| Change in Net Assets          | (101,862)              |
| Net Assets Beginning of Year  | <u>174,179</u>         |
| Net Assets End of Year        | <u><u>\$72,317</u></u> |

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

Mid-East Career and Technology Centers, Ohio  
Statement of Cash Flows  
Health Self-Insurance Internal Service Fund  
For the Fiscal Year Ended June 30, 2005

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

|  |                  |
|--|------------------|
| Cash Received from Interfund Services Provided | \$440,039        |
| Cash Payments for Goods and Services           | (69,044)         |
| Cash Payments for Claims                       | <u>(533,724)</u> |

Net Cash Used for Operating Activities (162,729)

**Cash Flows from Investing Activities**

|                         |              |
|-------------------------|--------------|
| Interest on Investments | <u>3,392</u> |
|-------------------------|--------------|

Net Decrease in Cash and Cash Equivalents (159,337)

Cash and Cash Equivalents Beginning of Year 272,179

Cash and Cash Equivalents End of Year \$112,842

**Reconciliation of Operating Loss to Net Cash  
Used for Operating Activities**

Operating Loss (\$105,254)

**Changes in Assets and Liabilities**

Decrease in Claims Payable (57,475)

Net Cash Used for Operating Activities (\$162,729)

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



Mid-East Career and Technology Centers, Ohio  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005

|  | Private Purpose<br>Trust | Agency   |
|--|--------------------------|----------|
| <b>Assets</b>                              |                          |          |
| Equity in Pooled Cash and Cash Equivalents | \$0                      | \$42,846 |
| Investments                                | 394,989                  | 0        |
| Total Assets                               | 394,989                  | \$42,846 |
| <b>Liabilities</b>                         |                          |          |
| Due to Students                            | 0                        | \$42,846 |
| Total Liabilities                          | 0                        | \$42,846 |
| <b>Net Assets</b>                          |                          |          |
| Endowments                                 | 35,000                   |          |
| Held in Trust for Students                 | 359,989                  |          |
| Total Net Assets                           | \$394,989                |          |

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

Mid-East Career and Technology Centers, Ohio  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2005

|                                       | Private Purpose<br>Trust |
|---------------------------------------|--------------------------|
| <b>Additions</b>                      |                          |
| Interest                              | \$2,649                  |
| Increase in Fair Value of Investments | 28,528                   |
| Total Additions                       | 31,177                   |
| <b>Deductions</b>                     |                          |
| Payments for Scholarships             | 2,750                    |
| Change in Net Assets                  | 28,427                   |
| Net Assets Beginning of Year          | 366,562                  |
| Net Assets End of Year                | \$394,989                |

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**Note 1 - Description of the School District and Reporting Entity**

On April 12, 1965, the State of Ohio Board of Education approved the creation of the Muskingum Area Joint Vocational School District. In 1985, the School District name was changed to the Mid-East Ohio Vocational School District, and on August 11, 2003, the School District name was changed to the Mid-East Career and Technology Centers. The School District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A vocational school exposes students to job training leading to employment upon graduation from high school.

The School District includes thirteen member schools as follows: Caldwell Exempted Village School District, Cambridge City School District, Crooksville Exempted Village School District, East Guernsey Local School District, East Muskingum Local School District, Franklin Local School District, Maysville Local School District, Noble Local School District, Northern Local School District, Rolling Hills Local School District, Tri-Valley Local School District, West Muskingum Local School District, and Zanesville City School District. The School District is staffed by seventy-two classified employees and one hundred fifteen certified teaching personnel who provide services to nine hundred and seventy-six students and other community members. The School District currently operates seven instructional buildings on two campuses.

The School District operates under a thirteen member appointed Board of Education and is responsible for the provision of public education to residents of the School District. The Board consists of one member appointed by each member School District's Boards of Education of each of the above districts, with the exception of Northern Local School District's representative, who is appointed from the Perry County Board of Education.

*Reporting Entity*

A reporting entity is composed of the stand-alone government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Mid-East Career and Technology Centers, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), which is defined as a jointly governed organization, and the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Ohio School Plan, which are defined as group insurance purchasing pools. Additional information concerning these organizations is presented in Note 18.

## **Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

### ***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

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

### ***B. Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

**General Fund** The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

**Adult Education** The Adult Education Special Revenue Fund accounts for all transactions made in connection with adult education classes.

**Permanent Improvement** The Permanent Improvement Capitals Project Fund accounts for the transactions related to the acquiring, construction, or improving of permanent improvements within the School District.

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

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

**Internal Service Fund** The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's Internal Service Fund accounts for the operation of the School District's self-insurance program for employee dental claims (See Note 12).

**Fiduciary Fund Types** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust fund accounts for a college scholarship program for nursing students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and pell grants. The School District serves as the fiscal agent for the pell grants.

### **C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District 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.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

***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. Proprietary and fiduciary funds also use 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 Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District 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 fiscal year end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Also, delinquent property taxes receivable have been shown as deferred revenue on the modified accrual basis and as property tax revenue on the accrual basis. 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 governmental funds.

***E. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds, with the exception of the private purpose trust monies, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2005, the School District's investments were limited to federal agency securities, stocks, repurchase agreements, and STAROhio. Repurchase agreements are reported at cost. Investments in federal agency securities and stocks are stated at fair value based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Based upon Board policy, the District distributes interest to the General Fund, Permanent Improvement Capital Projects Fund, Fox Scholarship Special Revenue Fund, Food Service Special Revenue Fund, Internal Service Fund and Rogge Trust Scholarship Private Purpose Trust Fund. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$149,232, which includes \$9,499 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which services are consumed.

***G. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of expendable supplies held for consumption and donated and purchased food held for resale.

***H. Capital Assets***

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year.) Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

| <b>Description</b>                           | <b>Governmental<br/>Activities<br/>Estimated Lives</b> |
|--|--|
| Buildings and Improvements                   | 50 Years   |
| Vehicles                                     | 5-10 Years   |
| Machinery, Equipment, Furniture and Fixtures | 8-25 Years   |

***I. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets.



Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rate at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of current service with the School District and who are within ten years of retirement.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent 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 funds from which these payments will be made.

***K. Accrued Liabilities and Long-term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. School loans and leases are recognized as a liability on the governmental fund financial statements when due.

***L. Interfund Activity***

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

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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***M. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents required by State statute to be set aside to create a reserve for budget stabilization. See Note 20 for additional information regarding set asides.

***N. Fund Balance Reserves and Designations***

The School District 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 equity reserves have been established for encumbrances, unclaimed monies, budget stabilization, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

The School District has a fund balance designation on the balance sheet for additional money set-aside by the Board of Education above the reserve for budget stabilization required by State statute.

***O. 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 enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide statement of net assets reports \$1,004,758 of restricted net assets, of which \$128,102 are restricted by enabling legislation.

Net assets restricted for other purposes include resources restricted for food service operations and adult education operations, and state and federal grants restricted to expenditure for specified purposes.

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

***P. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

***R. Estimates***

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

***S. Budgetary Data***

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

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

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

**Note 3 - Change in Accounting Principle**

For the fiscal year ended June 30, 2005, the School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/ Expenses and Liabilities by Cost Sharing Employers", and early-implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 modifies the disclosures for deposits and investments. See Note 6 "Deposits and Investments" for the required disclosures.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans. The implementation did not affect the fund balances of governmental funds, and had no effect on net assets.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets, and had no material effect on the financial statements.

**Note 4 - Accountability**

At June 30, 2005, the Miscellaneous Federal Grants Special Revenue Fund and the Vocational Education Special Revenue Fund had deficit fund balances in the amount of \$2,557 and \$22,981, respectively. These deficits are due to adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund and Adult Education Special Revenue Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budgets. The major differences between the budget basis and GAAP basis are as follows:

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 (GAAP basis).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Adult Education Special Revenue Fund:

Mid-East Career and Technology Centers, Ohio  
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Net Change in Fund Balance

|   | Adult     |           |
|---|-----------|-----------|
|   | General   | Education |
| GAAP Basis                              | \$920,075 | \$24,543  |
| Net Adjustment for Revenue Accruals     | (73,457)  | (1,694)   |
| Unrecorded Cash - Prior Year            | (15)      | 0         |
| Unrecorded Cash - Current Year          | 14,185    | 0         |
| Prepaid Items - Prior Year              | 42,110    | 866       |
| Prepaid Items - Current Year            | (139,413) | (19,759)  |
| Net Adjustment for Expenditure Accruals | 207,442   | 42,880    |
| Advances In                             | 153,000   | 0         |
| Advances Out                            | (100,000) | 0         |
| Encumbrances                            | (117,196) | (6,872)   |
| Budget Basis                            | \$906,731 | \$39,964  |

**Note 6 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can 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;

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**Deposits:** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$7,900,323 of the School District's bank balance of \$8,400,323 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments:** As of June 30, 2005, the School District had the following investments. All investments are in an internal investment pool, with the exception of investments in the private purpose trust fund.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

|  | <u>Fair Value</u>         | <u>Maturity</u> |
|--|---------------------------|-----------------|
| Federal Home Loan Bank Bond                                    | \$198,750                 | 9/22/2006       |
| Federal Home Loan Bank Bond                                    | 199,438                   | 9/17/2009       |
| Federal Home Loan Bank Bond                                    | 198,312                   | 12/30/2009      |
| Federal Home Loan Bank Bond                                    | 199,188                   | 1/27/2010       |
| Federal Home Loan Mortgage Corporation -<br>Bond               | 200,098                   | 9/12/2007       |
| Federal National Mortgage Association -<br>Bond                | 200,500                   | 5/27/2009       |
| Federal National Mortgage Association -<br>Bond                | 198,250                   | 9/17/2008       |
| Repurchase Agreement   | 480,098                   | 1 Day           |
| Massachusetts Investors Trust -<br>Domestic Conservative Stock | 394,989                   | N/A             |
| STAR Ohio  | <u>119,317</u>            | 33 Days         |
| Total  | <u><u>\$2,388,940</u></u> |                 |

Interest Rate Risk

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

Credit Risk

The Federal Home Loan Bank Bonds, the Federal Home Loan Mortgage Corporation Bonds, the Federal National Mortgage Association Bonds, and the Repurchase Agreement carry a rating of AAA by Standard and Poor's. Mass Investment Trust Domestic Conservative Stock carries a triple star rating by Morning Star. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. Of the School District's total investments, 33% is invested in Federal Home Loan Bank Bonds, 8% is invested in Federal Home Loan Mortgage Corporation Bonds, 17% is invested in Federal National Mortgage Association Bonds, 20% is invested in the repurchase agreement, and 17% is invested in Mass Investment Trust Domestic Conservative Stock.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2004, were levied after April 1, 2004, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Mid-East Career and Technology Centers. The County Auditor periodically advances to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, tangible personal taxes, and the late June personal property settlement which were measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2005, \$1,363,466 was available as an advance in the General Fund. The amount available as an advance at June 30, 2004, was \$1,337,876 in the General Fund. The amount of the late June personal property tax settlement was \$13,188 in the General Fund.



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On a full accrual basis, collectible delinquent property taxes, the late personal property tax settlement, and the amount available as an advance have been recorded as a receivable and revenue while the rest of the receivable is deferred. On a modified accrual basis, only the amount available as an advance and the late personal property tax settlements are recognized as revenue.

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

|   | 2004 Second-<br>Half Collections |                       | 2005 First-<br>Half Collections |                       |
|---|----------------------------------|-----------------------|---------------------------------|-----------------------|
|   | Amount                           | Percent               | Amount                          | Percent               |
| Agricultural/Residential<br>and Other Real Estate | \$1,742,548,950                  | 81.28%                | \$1,977,178,760                 | 81.88%                |
| Public Utility Personal                           | 151,775,160                      | 7.08%                 | 190,553,990                     | 7.89%                 |
| Tangible Personal Property                        | 249,476,312                      | 11.64%                | 247,002,351                     | 10.23%                |
| <b>Total</b>                                      | <u><u>\$2,143,800,422</u></u>    | <u><u>100.00%</u></u> | <u><u>\$2,414,735,101</u></u>   | <u><u>100.00%</u></u> |
| <br>Tax rate per \$1,000 of<br>assessed valuation | <br>\$3.20                       |                       | <br>\$3.20                      |                       |

**Note 8 - Receivables**

Receivables at June 30, 2005, consisted of property taxes, payment in lieu of taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interfund. 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. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

|                                 | <u>Amounts</u>          |
|---------------------------------|-------------------------|
| <b>Governmental Activities:</b> |                         |
| Adult Education Grant           | \$68,480                |
| ABLE Grant                      | 120,782                 |
| Carl D. Perkins Secondary Grant | 52,886                  |
| Miscellaneous Reimbursements    | 6,955                   |
| <b>Total</b>                    | <u><u>\$249,103</u></u> |

**Note 9 - Interfund Balances**

At June 30, 2005, the General Fund had an interfund receivable from the Vocational Education and Miscellaneous Federal Grants Special Revenue Funds in the amounts of \$60,000 and \$40,000, respectively, on the balance sheet. These transactions are the result of interfund loans used to provide cash flow resources until the receipt of grant monies.

Mid-East Career and Technology Centers, Ohio  
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**Note 10 - Capital Assets**

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

|  | Balance<br>June 30, 2004 | Additions          | Deletions       | Balance<br>June 30, 2005 |
|--|--------------------------|--------------------|-----------------|--------------------------|
| <b>Nondepreciable Capital Assets</b>               |                          |                    |                 |                          |
| Land   | \$333,075                | \$0                | \$0             | \$333,075                |
| <b>Depreciable Capital Assets</b>                  |                          |                    |                 |                          |
| Buildings and Improvements                         | 9,709,492                | 0                  | 0               | 9,709,492                |
| Vehicles   | 365,391                  | 25,391             | 0               | 390,782                  |
| Machinery, Equipment, Furniture and<br>Fixtures    | 1,555,447                | 116,872            | (16,845)        | 1,655,474                |
| <b>Total Capital Assets Being Depreciated</b>      | <u>11,630,330</u>        | <u>142,263</u>     | <u>(16,845)</u> | <u>11,755,748</u>        |
| <b>Less Accumulated Depreciation:</b>              |                          |                    |                 |                          |
| Buildings and Improvements                         | (6,007,365)              | (196,154)          | 0               | (6,203,519)              |
| Vehicles   | (253,819)                | (30,206)           | 0               | (284,025)                |
| Machinery, Equipment, Furniture and<br>Fixtures    | (956,896)                | (99,912)           | 16,845          | (1,039,963)              |
| <b>Total Accumulated Depreciation</b>              | <u>(7,218,080)</u>       | <u>(326,272)*</u>  | <u>16,845</u>   | <u>(7,527,507)</u>       |
| <b>Total Capital Assets Being Depreciated, Net</b> | <u>4,412,250</u>         | <u>(184,009)</u>   | <u>0</u>        | <u>4,228,241</u>         |
| <b>Governmental Activities Capital Assets, Net</b> | <u>\$4,745,325</u>       | <u>(\$184,009)</u> | <u>\$0</u>      | <u>\$4,561,316</u>       |

\* Depreciation expense was charged to governmental functions as follows:

|  |                  |
|--|------------------|
| Instruction:                           |                  |
| Regular                                | \$12,101         |
| Vocational                             | 144,681          |
| Adult/Continuing                       | 23,107           |
| Support Services:                      |                  |
| Pupils                                 | 4,156            |
| Instructional Staff                    | 9,189            |
| Board of Education                     | 1,244            |
| Administration                         | 21,819           |
| Fiscal                                 | 3,753            |
| Business                               | 11,175           |
| Operation and Maintenance of Plant     | 48,390           |
| Pupil Transportation                   | 31,426           |
| Central                                | 5,580            |
| Non-Instructional Services             | 9,651            |
| <b>Total Governmental Depreciation</b> | <u>\$326,272</u> |

Mid-East Career and Technology Centers, Ohio  
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**Note 11 - Interfund Transfers**

Interfund transfers for the year ended June 30, 2005 consisted of the following:

| Transfer From | Permanent<br>Improvement | Other Nonmajor<br>Governmental | Total     |
|---------------|--------------------------|--------------------------------|-----------|
| General Fund  | \$465,765                | \$79,000                       | \$544,765 |

Transfers made during fiscal year 2005 were \$544,765 from the General fund to the Permanent Improvement Capital Projects Fund in the amount of \$465,765 to keep a working balance in the fund as well as to also cover payments for the School District's building loan, \$30,000 to the Food Service fund to provide the fund with a positive balance and \$49,000 to the Severance Fund for the setup of a fund to cover the School District's severance costs in future fiscal years.

**Note 12 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District purchased the following coverage:

|  |              |                    |
|--|--------------|--------------------|
| <u>Young Insurance Agency, Inc.</u>      |              |                    |
| Fleet Insurance:                         |              |                    |
| Liability                                | \$1,000,000  | each accident      |
| Auto Medical Payments                    | \$3,000      |                    |
| Uninsured Motorists                      | \$1,000,000  |                    |
| Garagekeepers Comprehensive              | \$60,000     | each auto          |
| Garagekeepers Collision                  | \$60,000     | each auto          |
| Physical Damage Comprehensive            |              | actual cash value  |
| Physical Damage Collision                |              | actual cash value  |
| Inland Marine                            | \$308,070    | \$1,000 deductible |
| Building and personal property           | \$28,538,460 | Blanket            |
| Builders' Risk                           | \$30,000     | \$1,000 deductible |
| Boiler and Machinery Policy              | \$20,000,000 | \$1,000 deductible |
| <br><u>Ohio Casual Insurance Company</u> |              |                    |
| Treasurer's Bond                         | \$95,000     |                    |
| Board President's Bond                   | \$95,000     |                    |
| Superintendent's Bond                    | \$100,000    |                    |

During fiscal year 2005, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 18)

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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The types and amounts of coverage provided by the Ohio School Plan are as follows:

|   |             |
|---|-------------|
| General Liability:                              |             |
| Each Occurrence                                 | \$1,000,000 |
| Aggregate Limit                                 | \$3,000,000 |
| Products - Completed Operations Aggregate Limit | \$1,000,000 |
| Fire Damage Limit - Any One Event               | \$500,000   |
| Medical Expense Limit                           | \$10,000    |
| Excess Liability Policy                         | \$2,000,000 |
| Employers' Liability:                           |             |
| Each Offense                                    | \$1,000,000 |
| Employees' Liability:                           |             |
| Each Occurrence                                 | \$1,000,000 |
| Aggregate Limit                                 | \$3,000,000 |
| Educational Legal Liability:                    |             |
| Per Claim                                       | \$1,000,000 |
| Annual Aggregate                                | \$2,000,000 |

Settled claims have not exceeded commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from the prior year.

***B. Workers' Compensation***

For fiscal year 2005, the School District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), a group insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Mid-East Career and Technology Centers, Ohio  
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**C. Medical/Surgical, Dental, and Prescription Drug Insurances**

Health and dental coverage were both provided through a self-insurance internal service fund until September 30, 2004, administered by Central Benefits. Effective October 1, 2004, the School District elected to provide only dental coverage through a self-insurance internal service fund. The School District paid into the self-insurance internal service fund until September 30, 2004, \$1,015 for family health insurance coverage (90% of required premium) or \$319 for individual health insurance coverage (90% of required premium) per month for employees. The School District pays into the self-insurance internal service fund \$42.30 for family and single dental coverage (90% of required premium) for employees. These premiums are paid by the fund that pays the salary for the employee and is based on historical cost information. The claims liability of \$40,525 reported in the internal service fund at June 30, 2005, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchased an aggregate stop-loss coverage policy in the amount of \$1,000,000. In addition, the School District has contracted for excess stop-loss coverage with a maximum allowable covered expense per individual of \$60,000.

Changes in the fund's claims liability amount in 2004 and 2005 were:

|      | <u>Balance at<br/>Beginning of Year</u> | <u>Current Year<br/>Claims</u> | <u>Claim<br/>Payments</u> | <u>Balance at<br/>End of Year</u> |
|------|---|--------------------------------|---------------------------|-----------------------------------|
| 2004 | \$138,000                               | \$1,104,083                    | \$1,144,083               | \$98,000                          |
| 2005 | 98,000                                  | 476,249                        | 533,724                   | 40,525                            |

**Note 13 - Other Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Administrators and teachers who work less than 260 days per year do not earn vacation time. Vacation balances are to be used within the same year that they are earned. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 225 days for certified employees and up to 250 days for classified employees. Upon retirement, certificated employees receive payment for one-fourth of the sick leave accumulation. Classified employees, upon retirement, receive payment for one-fourth of the total sick leave accumulation up to a payment for 30 days.

**B. Insurance**

The School District provided health insurance benefits through their self-insurance fund, administered by Central Benefits. Effective October 1, 2004 the School District elected to provide health insurance benefits through Anthem Blue Cross Blue Shield. The costs of premiums for the coverage through Anthem Blue Cross Blue Shield are \$1,131.02 family and \$467.23 single for health insurance coverage.

Mid-East Career and Technology Centers, Ohio  
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The School District provides life insurance and accidental death and dismemberment insurance to employees through MetLife Insurance Company in the amount of \$45,000 for all employees.

**Note 14 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$191,554, \$160,396, and \$135,885, respectively; 94 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$11,477 represents the unpaid contribution for fiscal year 2005.

***B. State Teachers Retirement System***

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

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

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$791,674, \$780,539, and \$523,734 respectively; 86 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$2,443 made by the School District and \$15,118 made by the plan members. \$108,052 represents the unpaid contribution for fiscal year 2005.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, there are six employees who have elected Social Security.

Mid-East Career and Technology Centers, Ohio  
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**Note 15 - Postemployment Benefits**

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

STRS Ohio retirees who participated in the DB Plan or the Combined Plan are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District this amount equaled \$60,898 for fiscal year 2005.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including surcharge, during the 2005 fiscal year equaled \$115,785.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, (the latest information available) were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.



Mid-East Career and Technology Centers, Ohio  
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**Note 16 - Capital Leases**

The School District has entered into a capitalized lease for copying machines. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified from business support services to principal and interest, and are reflected as debt service expenditures in the basic financial statements for the General Fund.

Actual principal payments in fiscal year 2005 totaled \$16,424. The equipment was originally capitalized in the amount of \$82,122, the present value of the minimum lease payments at the inception of the lease. The accumulated depreciation as of June 30, 2005, was \$16,424 with a book value of \$65,698.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005:

| Fiscal Year Ending June 30,                 | Governmental<br>Activities |
|---|----------------------------|
| 2006  | \$16,424                   |
| 2007  | 16,424                     |
| 2008  | 16,424                     |
| 2009  | 16,426                     |
| Subtotal                                    | 65,698                     |
| Less Amount Representing Interest           | 0                          |
| Present Value of Net Minimum Lease Payments | \$65,698                   |

**Note 17 – Long-Term Obligations**

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

|  | Outstanding<br>06/30/04 | Additions | Reductions  | Outstanding<br>06/30/05 | Due in<br>One Year |
|--|-------------------------|-----------|-------------|-------------------------|--------------------|
| <b>Governmental Activities:</b>        |                         |           |             |                         |                    |
| \$986,472 - 1992 Building Construction |                         |           |             |                         |                    |
| Assistance Loan - Interest Free        | \$197,292               | \$0       | (\$65,765)  | \$131,527               | \$65,765           |
| Capital Leases Payable - Interest Free | 82,122                  | 0         | (16,424)    | 65,698                  | 16,424             |
| Compensated Absences                   | 618,540                 | 210,384   | (44,630)    | 784,294                 | 108,611            |
| Total Governmental Activities          |                         |           |             |                         |                    |
| Long-Term Liabilities                  | \$897,954               | \$210,384 | (\$126,819) | \$981,519               | \$190,800          |

On November 29, 1991, the School District issued interest free Building Construction Assistance Loans for \$986,472, for construction projects at the Muskingum Perry and Guernsey Noble Career Centers which will be paid from the Permanent Improvement Capital Projects Fund. Capital lease obligations will be paid from the General Fund. The School District will pay compensated absences from the fund which employees are paid. These funds include the General Fund, Food Service, Adult Education, Miscellaneous Federal Grants and Vocational Education Federal Grant Special Revenue Funds.

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Principal requirements to retire the Building Construction Assistance Loan outstanding at June 30, 2005, are as follows:

| Fiscal Year<br>Ending June 30 | Principal        |
|-------------------------------|------------------|
| 2006                          | \$65,765         |
| 2007                          | 65,762           |
| Total                         | <u>\$131,527</u> |

The overall debt margin of the School District as of June 30, 2005, was \$217,326,159, with an unvoted debt margin of \$2,414,735.

**Note 18 - Jointly Governed Organization and Insurance Purchasing Pools**

***A. Jointly Governed Organization***

The ***Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)*** was created as a regional council of governments pursuant to State statutes. OME-RESA has 11 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting authority. The School District's payment for computer services to OME-RESA in fiscal year 2005 was \$45,207. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

***B. Insurance Purchasing Pools***

***Ohio School Boards Association Workers' Compensation Group Rating Plan*** The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), a group 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. The School District was not required to pay an enrollment fee for fiscal year 2005.

***Ohio School Plan*** The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

**Note 19 - Contingencies**

**A. Grants**

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

**B. Litigation**

The School District is currently not a party to any legal proceedings.

**Note 20 - Set-Asides**

The School District is required by State statute to annually set-aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

Senate Bill 345, effective April 10, 2001, eliminated future set-aside requirements for the budget stabilization, reduced requirements related to the current set-aside, and placed restrictions on current budget stabilization money relating to the workers' compensation refunds.

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

|   | Textbooks          | Capital<br>Improvements | Budget<br>Stabilization |
|---|--------------------|-------------------------|-------------------------|
| Set-aside reserve balance as of June 30, 2004               | \$0                | \$0                     | \$45,566                |
| Carry over from prior year                                  | (789,454)          | (2,200,000)             | 0                       |
| Current year set-aside requirement                          | 152,068            | 152,068                 | 0                       |
| Current year offsets  | 0                  | (400,000)               | 0                       |
| Qualifying disbursements                                    | (247,614)          | (380,498)               | 0                       |
| Total   | <u>(\$885,000)</u> | <u>(\$2,828,430)</u>    | <u>\$45,566</u>         |
| Set-aside balance carried forward to future<br>fiscal years | (\$885,000)        | (\$2,600,000)           | \$0                     |
| Set-aside reserve balance as of June 30, 2005               | \$0                | \$0                     | \$45,566                |

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero for textbooks and capital improvements. This extra amount may be used to reduce the set-aside requirement of future years for textbooks. The excess monies from transfers from the General Fund to the Permanent Improvement Capital Projects Fund in the current and previous fiscal years may be used to reduce the capital set-aside in future fiscal years.

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**MID-EAST CAREER AND TECHNOLOGY CENTERS  
MUSKINGUM COUNTY**

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

| <b>FEDERAL GRANTOR/<br/>Pass Through Grantor/<br/>Program Title</b> | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Cash<br>Receipts          | Noncash<br>Receipts    | Cash<br>Disbursements     | Noncash<br>Disbursements |
|---|----------------------------------|---------------------------|---------------------------|------------------------|---------------------------|--------------------------|
| <b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>                      |                                  |                           |                           |                        |                           |                          |
| <i>Passed Through Ohio Department of Education:</i>                 |                                  |                           |                           |                        |                           |                          |
| Nutrition Cluster:  |                                  |                           |                           |                        |                           |                          |
| Food Donation Program   |                                  | 10.550                    | \$0                       | \$23,307               | \$0                       | \$23,307                 |
| National School Lunch Program                                       | 51300-LL-P4-03/04                | 10.555                    | 22,004                    |                        | 22,004                    |                          |
|   | 51300-LL-P4-04/05                | 10.555                    | 78,944                    |                        | 78,944                    |                          |
| Total National School Lunch Program                                 |                                  |                           | <u>100,948</u>            | <u>0</u>               | <u>100,948</u>            | <u>0</u>                 |
| Total Nutrition Cluster   |                                  |                           | 100,948                   | 23,307                 | 100,948                   | 23,307                   |
| Child and Adult Care Food Program                                   | 51300-CC-03/04                   | 10.558                    | 8,342                     |                        | 8,342                     |                          |
| Total U.S. Department of Agriculture                                |                                  |                           | 109,290                   | 23,307                 | 109,290                   | 23,307                   |
| <b>UNITED STATES DEPARTMENT OF EDUCATION</b>                        |                                  |                           |                           |                        |                           |                          |
| <i>Passed Through Ohio Department of Education:</i>                 |                                  |                           |                           |                        |                           |                          |
| Adult Education: State Grant Program                                | 51300-AB-S1-04                   | 84.002                    | 27,747                    |                        | 26,056                    |                          |
|   | 51300-AB-S1-05A                  | 84.002                    | 66,846                    |                        | 66,846                    |                          |
|   | 51300-AB-S1-05                   | 84.002                    | 176,026                   |                        | 176,026                   |                          |
| Total Adult Education: State Grant Program                          |                                  |                           | 270,619                   | 0                      | 268,928                   | 0                        |
| Vocational Education: Basic Grants to States                        | 51300-20-AO-05                   | 84.048                    |                           |                        | 712                       |                          |
|   | 51300-20-C1-04                   | 84.048                    | 104,785                   |                        | 114,997                   |                          |
|   | 51300-20-C2-04                   | 84.048                    |                           |                        | 2,001                     |                          |
|   | 51300-20-C1-05                   | 84.048                    | 538,378                   |                        | 521,998                   |                          |
|   | 51300-20-C2-05                   | 84.048                    | 121,783                   |                        | 119,423                   |                          |
| Total Vocational Education: Basic Grants to States                  |                                  |                           | 764,946                   | 0                      | 759,131                   | 0                        |
| Safe and Drug Free-Schools and<br>Communities State Grant           | 51300-DR-S1-05                   | 84.186                    | 297                       |                        | 297                       |                          |
| State Grants for Innovative Programs                                | 51300-C2-S1-05                   | 84.298                    | 7,047                     |                        | 7,101                     |                          |
| Improving Teacher Quality: State Grants                             | 51300-TR-S1-04                   | 84.367                    | 5,708                     |                        |                           |                          |
|   | 51300-TR-S1-05                   | 84.367                    | 5,518                     |                        | 4,223                     |                          |
| Total Improving Teacher Quality: State Grants                       |                                  |                           | 11,226                    | 0                      | 4,223                     | 0                        |
| <i>Direct from United States Department of Education:</i>           |                                  |                           |                           |                        |                           |                          |
| Federal Pell Grant  | N/A                              | 84.063                    | 330,237                   |                        | 330,237                   |                          |
| Total United States Department of Education                         |                                  |                           | 1,384,372                 | 0                      | 1,369,917                 | 0                        |
| <b>Total Federal Awards Receipts and Expenditures</b>               |                                  |                           | <b><u>\$1,493,662</u></b> | <b><u>\$23,307</u></b> | <b><u>\$1,479,207</u></b> | <b><u>\$23,307</u></b>   |

The Notes to this Schedule of Federal Awards Receipts and Expenditures are an integral part of the Schedule.

**MID-EAST CAREER AND TECHNOLOGY CENTERS  
MUSKINGUM COUNTY**

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

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B—CHILD NUTRITION CLUSTER**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



## **Auditor of State Betty Montgomery**

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

Mid-East Career and Technology Centers  
Muskingum County  
400 Richards Road  
Zanesville, Ohio 43701

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 Mid-East Career and Technology Centers, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 13, 2006. 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 School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

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

As part of reasonably assuring whether the School District's basic 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*.

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

**Betty Montgomery**  
Auditor of State

March 13, 2006





## Auditor of State Betty Montgomery

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

Mid-East Career and Technology Centers  
Muskingum County  
400 Richards Road  
Zanesville, Ohio 43701

To the Board of Education:

#### Compliance

We have audited the compliance of the Mid-East Career and Technology Centers, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District'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 School District'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 School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

#### Internal Control Over Compliance

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

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Mid-East Career and Technology Centers  
Muskingum County  
Independent Accountants' Report on Compliance with Requirements Applicable to  
Each Major Federal Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133  
Page 2

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

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.



**Betty Montgomery**  
Auditor of State

March 13, 2006

**MID-EAST CAREER AND TECHNOLOGY CENTERS  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





**Auditor of State  
Betty Montgomery**

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**MID-EAST CAREER AND TECHNOLOGY CENTERS**

**MUSKINGUM 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  
APRIL 4, 2006**