



**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2012**



**Dave Yost • Auditor of State**



**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Career and Technology Education Centers, Licking County, Ohio, (the Center) as of and for the year ended June 30, 2012, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Career and Technology Education Centers, Licking County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Adult Education Funds thereof 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 26, 2013 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 26, 2013

## **Career and Technology Education Centers of Licking County, Ohio**

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012 Unaudited*

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The discussion and analysis of the Career and Technology Education Centers of Licking County's (C-TEC) financial performance provides an overall review of C-TEC's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at C-TEC's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of C-TEC's financial performance.

#### **Financial Highlights**

Key financial highlights for fiscal year 2012 are as follows:

- Net assets of governmental activities increased \$2,561,712.
- Capital assets decreased \$971,182 primarily due to current year depreciation.
- General revenues accounted for \$12,299,921 or 70 percent of total revenues of \$17,540,633. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$5,240,712, or 30 percent of total revenues.
- C-TEC had \$14,978,921 in expenses related to governmental activities; only \$5,240,712 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues of \$12,299,921 were adequate to provide for these activities.

#### **Using this Annual Financial Report**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of C-TEC as a whole, presenting both an aggregate view of C-TEC's finances and a longer-term view of those finances. 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 C-TEC's most significant funds with all other non-major funds presented in total in one column.

#### ***Reporting C-TEC as a Whole***

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

While this document contains information about the large number of funds used by C-TEC to provide programs and activities for students, the view of C-TEC as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" 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.

## **Career and Technology Education Centers of Licking County, Ohio**

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012 Unaudited*

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These two statements report C-TEC's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for C-TEC as a whole, the financial position of C-TEC has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include C-TEC'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, all of C-TEC's activities are reported as governmental including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

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

##### *Fund Financial Statements*

The analysis of C-TEC's major funds begins on page 9. Fund financial reports provide detailed information about C-TEC's major funds. C-TEC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on C-TEC's most significant funds. C-TEC's major governmental funds are the General Fund, Adult Education Special Revenue Fund, and Bond Retirement Debt Service Fund.

***Governmental Funds*** Most of C-TEC's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal 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 C-TEC'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.

#### **C-TEC as a Whole**

Recall that the Statement of Net Assets provides the perspective of C-TEC as a whole. Table 1 provides a summary of C-TEC's net assets for 2012 compared to 2011.



**Career and Technology Education Centers of Licking County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

**Table 1**  
**Net Assets**

	<u>Governmental Activities</u>		
	<u>2012</u>	<u>2011</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$17,874,264	\$15,353,301	\$2,520,963
Capital Assets	36,414,180	37,385,362	(971,182)
<b>Total Assets</b>	<u>54,288,444</u>	<u>52,738,663</u>	<u>1,549,781</u>
<b>Liabilities</b>			
Long-Term Liabilities	27,069,343	28,191,006	(1,121,663)
Other Liabilities	9,227,498	9,117,766	109,732
<b>Total Liabilities</b>	<u>36,296,841</u>	<u>37,308,772</u>	<u>(1,011,931)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	11,196,970	11,069,084	127,886
Restricted	1,554,644	1,545,414	9,230
Unrestricted	5,239,989	2,815,393	2,424,596
<b>Total Net Assets</b>	<u>\$17,991,603</u>	<u>\$15,429,891</u>	<u>\$2,561,712</u>

The increase in current and other assets is mainly due to an increase in cash and cash equivalents in the amount of \$2,355,151. The increase in cash and cash equivalents is primarily due to C-TEC reducing expenses for a third year in a row. C-TEC had anticipated reductions in State funding for fiscal year 2012; however, the State had continued to fund Career Centers at the same level as it had funded in fiscal year 2011 which resulted in the increase in cash and cash equivalents. Property taxes receivable also reflect a slight increase in fiscal year 2012 in the amount of \$124,257 due mainly to increased property values. The \$971,182 decrease in capital assets is primarily due to current year depreciation.

The increase in other liabilities in the amount of \$109,732 was due primarily to the increase in deferred revenue due to the increase in taxes receivable. The \$1,121,663 decrease in long-term liabilities is primarily due to C-TEC making principal debt payments in the amount of \$1,175,511. Compensated absences had increased slightly in fiscal year 2012.

**Career and Technology Education Centers of Licking County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012, and comparisons to fiscal year 2011.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		
	2012	2011	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$2,226,912	\$2,218,007	\$8,905
Operating Grants, Contributions and Interest	3,013,800	3,109,588	(95,788)
Capital Grants and Contributions	0	48,115	(48,115)
	<u>5,240,712</u>	<u>5,375,710</u>	<u>(134,998)</u>
General Revenue			
Property Taxes	8,312,395	8,293,283	19,112
Grants and Entitlements	3,952,143	4,267,528	(315,385)
Unrestricted Contributions to Specific Programs	0	1,500	(1,500)
Investment Earnings	16,458	9,377	7,081
Miscellaneous Revenue	18,925	80,368	(61,443)
	<u>12,299,921</u>	<u>12,652,056</u>	<u>(352,135)</u>
Total Revenues	<u>17,540,633</u>	<u>18,027,766</u>	<u>(487,133)</u>
<b>Program Expenses</b>			
Instruction			
Regular	316,477	334,965	(18,488)
Special	565,011	528,186	36,825
Vocational	4,897,921	5,039,087	(141,166)
Adult/Continuing	2,216,542	2,179,701	36,841
Support Services			
Pupils	585,454	669,727	(84,273)
Instructional Staff	963,380	1,006,906	(43,526)
Board of Education	26,093	24,294	1,799
Administration	937,192	1,037,507	(100,315)
Fiscal	406,055	405,296	759
Business	420,010	458,794	(38,784)
Operation and Maintenance of Plant	1,420,244	1,346,211	74,033
Pupil Transportation	12,771	15,739	(2,968)
Central	812,405	1,038,809	(226,404)
Operation of Non-Instructional Services			
Food Service Operations	274,641	255,247	19,394
Other	320	453	(133)
Extracurricular Activities	59,923	62,738	(2,815)
Interest and Fiscal Charges	1,064,482	1,031,401	33,081
Total Expenses	<u>14,978,921</u>	<u>15,435,061</u>	<u>(456,140)</u>
<i>Change in Net Assets</i>	2,561,712	2,592,705	(30,993)
Net Assets Beginning of Year	15,429,891	12,837,186	2,592,705
Net Assets End of Year	<u>\$17,991,603</u>	<u>\$15,429,891</u>	<u>\$2,561,712</u>

**Career and Technology Education Centers of Licking County, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2012*

*Unaudited*

C-TEC's net assets increased \$2,561,712. Revenues and expenses decreased during fiscal year 2012 when compared to fiscal year 2011. The decrease in revenues was largely attributed to the decrease in grants and entitlements. C-TEC's tangible personal property and public utility tax loss reimbursement from the State decreased by \$285,261 from fiscal year 2011 to fiscal year 2012. During fiscal year 2012, there was a decrease in operating grants, contributions, and interest due mainly to the decrease in adult education State funding in the amount of \$47,439. Capital grants and contributions also decreased in fiscal year 2012 due to C-TEC receiving a capital donation in the amount of \$48,115 for the Burn Building project that did not reoccur in fiscal year 2012. Expenses decreased in fiscal year 2012 due to the C-TEC Board implementing additional cost saving measures for fiscal year 2012. There were no increases in base salaries for fiscal years 2010, 2011, and 2012. In fiscal year 2010, the non-teaching staff was required to take ten unpaid furlough days then in fiscal year 2011 the number of required unpaid furlough days decreased to five and in fiscal year 2012 the number of required unpaid furlough days decreased to zero; however, staff still have the option to voluntarily take up to five or ten unpaid furlough days.

Instructional programs comprise approximately 53 percent of total governmental program expenses. Of the instructional expenses, approximately 4 percent is for regular instruction, 7 percent for special instruction, 61 percent for vocational instruction, and 28 percent for adult/continuing instruction.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Table 3  
Governmental Activities**

	2012 Total Cost of Services	2012 Net Cost of Services	2011 Total Cost of Services	2011 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$316,477	\$221,549	\$334,965	\$223,051
Special	565,011	565,011	528,186	528,186
Vocational	4,897,921	2,987,339	5,039,087	3,163,142
Adult/Continuing	2,216,542	84,299	2,179,701	(77,958)
Support Services:				
Pupils	585,454	335,943	669,727	417,579
Instructional Staff	963,380	750,265	1,006,906	737,209
Board of Education	26,093	26,093	24,294	24,294
Administration	937,192	934,662	1,037,507	1,036,296
Fiscal	406,055	398,181	405,296	405,296
Business	420,010	182,303	458,794	222,921
Operation and Maintenance of Plant	1,420,244	1,398,224	1,346,211	1,334,492
Pupil Transportation	12,771	12,771	15,739	15,739
Central	812,405	691,014	1,038,809	921,628
Operation of Non-Instructional Services				
Food Service Operations	274,641	40,454	255,247	27,803
Other	320	(8)	453	(46)
Extracurricular Activities	59,923	45,627	62,738	48,318
Interest and Fiscal Charges	1,064,482	1,064,482	1,031,401	1,031,401
<b>Totals</b>	<u>\$14,978,921</u>	<u>\$9,738,209</u>	<u>\$15,435,061</u>	<u>\$10,059,351</u>

## **Career and Technology Education Centers of Licking County, Ohio**

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2012*

*Unaudited*

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The dependence upon tax revenues and state subsidies for governmental activities is apparent. For 2012, only 30 percent of the governmental activities performed by C-TEC are supported through program revenues such as charges for services, grants, and contributions. The remaining 70 percent is provided through taxes and entitlements.

#### **C-TEC Funds**

C-TEC's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$17,511,818 and expenditures of \$15,110,070.

#### ***General Fund***

The fund balance of the General Fund at June 30, 2012 is \$5,450,886, an increase of \$2,309,845 from fiscal year 2011. The majority of the increase is the result of C-TEC's Board of Education implementing cost saving measures during fiscal year 2010 and 2011. The Board of Education was aware of the financial stress that C-TEC was under so several cost saving measures were implemented including a reduction in force which was approved on March 25, 2010. In addition, the State continued to provide State funding at the same level as was received in fiscal year 2011. The savings from the reduction in force beginning in fiscal year 2011 and the continued level of State funding have resulted in approximately a \$2.3 million increase in the General Fund's fund balance.

#### ***Other Governmental Major Funds***

##### ***Adult Education Fund***

The fund balance of the Adult Education Special Revenue Fund at June 30, 2012 is \$915,911, an increase of \$60,029 from the prior year.

##### ***Bond Retirement Fund***

The fund balance of the Bond Retirement Debt Service Fund at June 30, 2012 is \$1,193,480, a minimal decrease of \$20,533 from the prior year.

#### ***General Fund Budgeting Highlights***

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

During the course of fiscal 2012, C-TEC amended its original appropriations with a decrease of \$314,346. Final Appropriations exceeded actual expenditures by \$636,454.

C-TEC received \$93,688 less in revenues than what was expected during fiscal year 2012. Budget basis revenue was \$12,291,626 compared to final estimates of \$12,385,314.

The C-TEC's ending general fund budgetary balance was \$4,737,973.

**Career and Technology Education Centers of Licking County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2012, C-TEC had \$36,414,180 invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2012 balances compared to 2011.

**Table 4**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	<u>Government Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$107,951	\$107,951
Construction in Progress	10,585	0
Buildings and Improvements	34,028,454	34,919,367
Furniture and Equipment	2,151,672	2,249,321
Vehicles	115,518	108,723
<b>Totals</b>	<b><u>\$36,414,180</u></b>	<b><u>\$37,385,362</u></b>

See Note 8 for additional information regarding capital assets.

*Debt*

At June 30, 2012, C-TEC had \$26,339,522 in debt outstanding (including premiums and accounting gain), with \$1,300,690 being due within one year.

**Table 5**  
**Outstanding Debt at June 30**

	<u>Government Activities</u>	
	<u>2012</u>	<u>2011</u>
Construction and Equipment Long-Term Loan	\$233,333	\$266,667
School Facilities Improvement General Obligation Bonds	3,936,286	4,825,039
School Facilities Improvement Refunding Bonds	17,799,060	17,991,233
Various Purpose and Judgement Bonds	4,364,579	4,391,925
Capital Leases	6,264	8,441
<b>Totals</b>	<b><u>\$26,339,522</u></b>	<b><u>\$27,483,305</u></b>

See Note 13 for more detailed information of C-TEC's debt.

## **Career and Technology Education Centers of Licking County, Ohio**

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012 Unaudited*

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#### **Economic Factors**

The reductions that were put into place at the end of fiscal year 2010 and the beginning of fiscal year 2011 have reversed the trend of deficit spending in the General Fund that began in fiscal year 2003. This deficit spending had deteriorated the General Fund cash balance from \$6.7 million in August 2002 to as low as \$66,805 at the end of January 2010.

Although the General Fund cash balance increased significantly during fiscal years 2011 and 2012 and is anticipated to continue to grow in fiscal year 2013, it is anticipated this trend will end upon passage of the next State budget assuming it includes a new State funding formula to be implemented in fiscal year 2014. C-TEC will receive the same level of State funding in fiscal year 2013 that it received in fiscal years 2011 and 2012 which is based on the amount of State funding received in fiscal year 2009. Since 2009, our number of full-time equivalent students has decreased by about 15 percent. In addition, the total amount of State funding for schools for fiscal years 2012 and 2013 has been reduced significantly from what it was in fiscal year 2011. It is safe to assume that as a result of these two factors, C-TEC will likely see a reduction in the amount of State funding it receives when the new State funding formula is implemented. What is still unknown is how much it will be reduced?

C-TEC's fund balance has increased significantly in a short period of time due to reductions made, but also in part due to State funding that is based on a much higher enrollment than what we currently have. Because of this, it is important for C-TEC to continue to spend tax dollars it receives as efficiently as possible so that it can absorb any change in State funding it receives as well as be able to pay off the remaining \$6.2 million in outstanding general obligation debt (principal and interest) from the 2010 Various Purpose Bonds which is being retired through tax revenue allocations from the General Fund to the Bond Retirement Debt Service Fund.

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of C-TEC's finances and to show C-TEC's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Benjamin R. Streby, Treasurer/CFO at Career and Technology Education Centers of Licking County, 150 Price Road, Newark, Ohio 43055. You may also e-mail the treasurer at [bstreby@c-tec.edu](mailto:bstreby@c-tec.edu).

**Career and Technology Education Centers of Licking County**

*Statement of Net Assets*

*June 30, 2012*

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$7,465,767
Cash and Cash Equivalents in Segregated Accounts	6,296
Accounts Receivable	575,550
External Party Receivable	4,574
Intergovernmental Receivable	193,845
Prepaid Items	72,808
Accrued Interest Receivable	3,541
Inventory Held for Resale	1,379
Materials and Supplies Inventory	133
Property Taxes Receivable	9,230,238
Deferred Charges	320,133
Nondepreciable Capital Assets	118,536
Depreciable Capital Assets, Net	<u>36,295,644</u>
<i>Total Assets</i>	<u>54,288,444</u>
<b>Liabilities</b>	
Matured Compensated Absences	40,968
Accounts Payable	240,955
Accrued Wages and Benefits	672,584
Contracts Payable	10,585
Accrued Interest Payable	78,531
Intergovernmental Payable	225,929
Vacation Benefit Payable	140,510
Deferred Revenue	7,817,436
Long-Term Liabilities:	
Due Within One Year	1,416,779
Due In More Than One Year	<u>25,652,564</u>
<i>Total Liabilities</i>	<u>36,296,841</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	11,196,970
Restricted for:	
Capital Projects	37
Debt Service	446,663
Adult Education	1,092,805
Other Purposes	15,139
Unrestricted	<u>5,239,989</u>
<i>Total Net Assets</i>	<u>\$17,991,603</u>

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2012*

	Program Revenues		Net (Expense)	
			Revenue and	
			Changes in	
			Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	
			Governmental Activities	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$316,477	\$0	\$94,928	(\$221,549)
Special	565,011	0	0	(565,011)
Vocational	4,897,921	316,586	1,593,996	(2,987,339)
Adult/Continuing	2,216,542	1,537,407	594,836	(84,299)
Support Services:				
Pupils	585,454	70,713	178,798	(335,943)
Instructional Staff	963,380	167,791	45,324	(750,265)
Board of Education	26,093	0	0	(26,093)
Administration	937,192	1,279	1,251	(934,662)
Fiscal	406,055	0	7,874	(398,181)
Business	420,010	0	237,707	(182,303)
Operation and Maintenance of Plant	1,420,244	0	22,020	(1,398,224)
Pupil Transportation	12,771	0	0	(12,771)
Central	812,405	0	121,391	(691,014)
Operation of Non-Instructional Services:				
Food Service Operations	274,641	118,512	115,675	(40,454)
Other Non-Instructional Services	320	328	0	8
Extracurricular Activities	59,923	14,296	0	(45,627)
Interest and Fiscal Charges	1,064,482	0	0	(1,064,482)
<b>Totals</b>	<b>\$14,978,921</b>	<b>\$2,226,912</b>	<b>\$3,013,800</b>	<b>(9,738,209)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
				6,560,937
				1,751,458
				3,952,143
				16,458
				18,925
				<u>12,299,921</u>
				2,561,712
				<u>15,429,891</u>
				<u>\$17,991,603</u>

See accompanying notes to the basic financial statements



**Career and Technology Education Centers of Licking County**

*Balance Sheet*

*Governmental Funds*

*June 30, 2012*

	General	Adult Education	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$5,494,957	\$901,437	\$1,027,810	\$41,563	\$7,465,767
Cash and Cash Equivalents in Segregated Accounts	3,497	2,799	0	0	6,296
Accounts Receivable	59,981	512,179	0	3,390	575,550
Interfund Receivable	254,191	0	0	3,230	257,421
Intergovernmental Receivable	0	36,952	0	156,893	193,845
Accrued Interest Receivable	3,541	0	0	0	3,541
External Party Receivable	4,574	0	0	0	4,574
Prepaid Items	60,593	8,448	0	3,767	72,808
Inventory Held for Resale	0	0	0	1,379	1,379
Materials and Supplies Inventory	0	0	0	133	133
Property Taxes Receivable	7,267,629	0	1,962,609	0	9,230,238
<b>Total Assets</b>	<b>\$13,148,963</b>	<b>\$1,461,815</b>	<b>\$2,990,419</b>	<b>\$210,355</b>	<b>\$17,811,552</b>
<b>Liabilities</b>					
Accounts Payable	\$222,936	\$9,025	\$0	\$8,994	\$240,955
Accrued Wages and Benefits	586,975	49,448	0	36,161	672,584
Matured Compensated Absences	40,968	0	0	0	40,968
Contracts Payable	10,585	0	0	0	10,585
Interfund Payable	0	173,230	0	84,191	257,421
Intergovernmental Payable	152,446	45,167	0	28,316	225,929
Deferred Revenue	6,684,167	269,034	1,796,939	17,010	8,767,150
<b>Total Liabilities</b>	<b>7,698,077</b>	<b>545,904</b>	<b>1,796,939</b>	<b>174,672</b>	<b>10,215,592</b>
<b>Fund Balances</b>					
Nonspendable	66,520	8,448	0	3,900	78,868
Restricted	0	907,463	1,193,480	58,875	2,159,818
Committed	62,232	0	0	1,686	63,918
Assigned	335,730	0	0	37	335,767
Unassigned	4,986,404	0	0	(28,815)	4,957,589
<b>Total Fund Balances</b>	<b>5,450,886</b>	<b>915,911</b>	<b>1,193,480</b>	<b>35,683</b>	<b>7,595,960</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$13,148,963</b>	<b>\$1,461,815</b>	<b>\$2,990,419</b>	<b>\$210,355</b>	<b>\$17,811,552</b>

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**  
*Reconciliation of Total Governmental Funds Balances to  
 Net Assets of Governmental Activities  
 June 30, 2012*

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<b>Total Governmental Fund Balances</b>	<b>\$7,595,960</b>
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*Amounts reported for governmental activities in the statement of net assets are different because of the following:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	36,414,180
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Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds:

Property Taxes Receivable	630,188	
Accrued Interest Receivable	3,541	
Tuition and Fees	266,423	
Intergovernmental Receivable	49,562	949,714

Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements.	320,133
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Vacation Benefits Payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.	(140,510)
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Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Long-Term Loans Payable	(233,333)	
General Obligation Bonds	(8,160,000)	
General Obligation Bonds Premium	(140,865)	
Current Interest Serial Refunding Bonds Payable	(16,880,000)	
Capital Interest Serial Refunding Bonds Payable	(309,991)	
Refunding Bonds Capital Appreciation Accretion Premium on Current Interest Serial Refunding Bonds	(398,881)	
	(614,488)	
Premium on Capital Appreciation Refunding Bonds	(1,103,827)	
Accounting Gain on Refunding	1,508,127	
Accrued Interest Payable	(78,531)	
Capital Leases Payable	(6,264)	
Compensated Absences	(729,821)	(27,147,874)

Net Assets of Governmental Activities	<b>\$17,991,603</b>
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See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	General	Adult Education	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$6,527,019	\$0	\$1,737,781	\$0	\$8,264,800
Intergovernmental	5,519,728	351,400	237,646	892,880	7,001,654
Interest	12,917	0	61	0	12,978
Tuition and Fees	210,224	1,699,660	0	0	1,909,884
Extracurricular Activities	16,589	0	0	14,296	30,885
Charges for Services	85,191	0	0	187,501	272,692
Miscellaneous	13,358	0	0	5,567	18,925
<b>Total Revenues</b>	<b>12,385,026</b>	<b>2,051,060</b>	<b>1,975,488</b>	<b>1,100,244</b>	<b>17,511,818</b>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	83,165	0	0	92,911	176,076
Special	544,083	0	0	0	544,083
Vocational	4,466,958	0	0	37,929	4,504,887
Adult/Continuing	13,362	1,830,005	0	245,130	2,088,497
Support Services:					
Pupils	363,396	0	0	231,234	594,630
Instructional Staff	549,042	160,706	0	45,556	755,304
Board of Education	21,452	0	0	0	21,452
Administration	933,345	0	0	1,267	934,612
Fiscal	387,849	0	0	7,534	395,383
Business	266,486	0	27,967	0	294,453
Operation and Maintenance of Plant	1,394,364	0	0	21,069	1,415,433
Pupil Transportation	5,566	0	0	0	5,566
Central	743,407	0	0	115,530	858,937
Operation of Non-Instructional Services:					
Food Service Operations	35,013	0	0	238,740	273,753
Other Non-Instructional Services	0	320	0	0	320
Extracurricular Activities	46,948	0	0	12,975	59,923
Debt Service:					
Principal Retirement	35,511	0	1,140,000	0	1,175,511
Interest and Fiscal Charges	597	0	1,010,653	0	1,011,250
<b>Total Expenditures</b>	<b>9,890,544</b>	<b>1,991,031</b>	<b>2,178,620</b>	<b>1,049,875</b>	<b>15,110,070</b>
Excess of Revenues Over (Under) Expenditures:	2,494,482	60,029	(203,132)	50,369	2,401,748
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	0	182,599	2,038	184,637
Transfers Out	(184,637)	0	0	0	(184,637)
<b>Total Other Financing Sources (Uses)</b>	<b>(184,637)</b>	<b>0</b>	<b>182,599</b>	<b>2,038</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>2,309,845</b>	<b>60,029</b>	<b>(20,533)</b>	<b>52,407</b>	<b>2,401,748</b>
Fund Balances (Deficit) Beginning of Year	3,141,041	855,882	1,214,013	(16,724)	5,194,212
<b>Fund Balances End of Year</b>	<b>\$5,450,886</b>	<b>\$915,911</b>	<b>\$1,193,480</b>	<b>\$35,683</b>	<b>\$7,595,960</b>

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

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Net Change in Fund Balances - Total Governmental Funds \$2,401,748

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

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 year:

Capital Assets Additions	167,728	
Current Year Depreciation	(1,138,910)	(971,182)

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

Property Taxes	47,595	
Interest	3,541	
Intergovernmental	(35,772)	
Tuition and Fees	13,451	28,815

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

Vacation Benefits Payable	2,172	
Compensated Absences	(22,120)	(19,948)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. The amortization of premiums, discounts, and and issuance costs are reported on the statement of activities:

Premium Amortization	342,919	
Issuance Costs Amortization	(24,600)	
Accretion of the Capital Appreciation Bonds	(237,544)	
Accrued Interest Payable	3,096	83,871

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

Long-Term Loans	33,334	
General Obligation Bonds	905,000	
Refunding Bonds	235,000	
Capital Leases	2,177	1,175,511

The difference between the net carrying amount of the refunded debt and the acquisition price is allocated over the life of the outstanding debt on the statement of activities.

(137,103)

Change in Net Assets of Governmental Activities

\$2,561,712

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**

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

*General Fund*

*For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$7,027,331	\$6,564,702	\$6,632,210	\$67,508
Intergovernmental	5,731,172	5,731,172	5,519,728	(211,444)
Interest	9,500	9,500	13,085	3,585
Tuition and Fees	101,123	69,940	108,122	38,182
Miscellaneous	10,000	10,000	18,481	8,481
<i>Total Revenues</i>	<u>12,879,126</u>	<u>12,385,314</u>	<u>12,291,626</u>	<u>(93,688)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	112,595	124,148	113,705	10,443
Special	536,859	534,955	539,289	(4,334)
Vocational	5,162,874	4,918,039	4,525,915	392,124
Support Services:				
Pupils	416,051	423,958	379,807	44,151
Instructional Staff	599,267	599,521	552,360	47,161
Board of Education	28,383	22,083	19,349	2,734
Administration	974,039	977,136	946,834	30,302
Fiscal	415,925	410,375	402,424	7,951
Business	351,438	334,311	336,273	(1,962)
Operation and Maintenance of Plant	1,639,136	1,562,240	1,515,819	46,421
Pupil Transportation	13,287	7,787	5,821	1,966
Central	931,882	952,837	915,618	37,219
Non-Instructional Services	34,188	34,188	31,755	2,433
Extracurricular Activities	66,933	66,933	47,088	19,845
Debt Service:				
Principal Retirement	33,334	33,334	33,334	0
<i>Total Expenditures</i>	<u>11,316,191</u>	<u>11,001,845</u>	<u>10,365,391</u>	<u>636,454</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,562,935</u>	<u>1,383,469</u>	<u>1,926,235</u>	<u>542,766</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	20,034	20,034	9,460	(10,574)
Advances Out	(30,000)	(30,000)	(21,127)	8,873
Transfers Out	(255,000)	(255,000)	(211,641)	43,359
<i>Total Other Financing Sources (Uses)</i>	<u>(264,966)</u>	<u>(264,966)</u>	<u>(223,308)</u>	<u>41,658</u>
<i>Net Change in Fund Balance</i>	1,297,969	1,118,503	1,702,927	584,424
<i>Fund Balance Beginning of Year</i>	2,454,326	2,454,326	2,454,326	0
Prior Year Encumbrances Appropriated	580,720	580,720	580,720	0
<i>Fund Balance End of Year</i>	<u>\$4,333,015</u>	<u>\$4,153,549</u>	<u>\$4,737,973</u>	<u>\$584,424</u>

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**

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

*Adult Education Fund*

*For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$330,500	\$330,500	\$351,400	\$20,900
Tuition and Fees	1,862,905	1,862,905	1,741,539	(121,366)
<i>Total Revenues</i>	<u>2,193,405</u>	<u>2,193,405</u>	<u>2,092,939</u>	<u>(100,466)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Adult/Continuing	2,053,188	1,990,739	1,843,495	147,244
Support Services:				
Instructional Staff	179,387	179,387	164,027	15,360
Non-Instructional Services	1,000	1,000	320	680
<i>Total Expenditures</i>	<u>2,233,575</u>	<u>2,171,126</u>	<u>2,007,842</u>	<u>163,284</u>
<i>Net Change in Fund Balance</i>	(40,170)	22,279	85,097	62,818
<i>Fund Balance Beginning of Year</i>	767,345	767,345	767,345	0
Prior Year Encumbrances Appropriated	33,575	33,575	33,575	0
<i>Fund Balance End of Year</i>	<u>\$760,750</u>	<u>\$823,199</u>	<u>\$886,017</u>	<u>\$62,818</u>

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2012*

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	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and Cash Equivalents	\$52,626	\$2,157,465
<i>Total Assets</i>	<u>52,626</u>	<u>\$2,157,465</u>
<b>Liabilities</b>		
Due to Students	0	\$66,223
External Party Payable	0	4,574
Undistributed Monies	0	2,086,668
<i>Total Liabilities</i>	<u>0</u>	<u>\$2,157,465</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>52,626</u>	
<i>Total Net Assets</i>	<u>\$52,626</u>	

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2012*

	Scholarship
<b>Additions</b>	
Interest	\$70
Contributions and Donations	8,598
<i>Total Additions</i>	8,668
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	5,256
<i>Change in Net Assets</i>	3,412
<i>Net Assets Beginning of Year</i>	49,214
<i>Net Assets End of Year</i>	\$52,626

See accompanying notes to the basic financial statements



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

*Notes to the Basic Financial Statements*

*For Fiscal Year Ended June 30, 2012*

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**NOTE 1 - DESCRIPTION OF THE CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY AND REPORTING ENTITY**

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

C-TEC operates under a seven-member Board of Education and is responsible for the provision of public education to residents of C-TEC. The Board of Education of C-TEC is not directly elected. The Board is made up from members of the elected boards of the participating school districts and the Licking County Educational Service Center. C-TEC is staffed by 8 administrators, 43 non-certificated employees, and 220 certificated full and part-time teaching personnel who provide services to 911 students and other community members. C-TEC currently operates 4 buildings.

***Reporting Entity***

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

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

C-TEC is associated with three jointly governed organizations and two insurance purchasing pools. These organizations are the Licking Area Computer Association, the Metropolitan Educational Council, the Educational Regional Service System Region 11, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, which are presented in Notes 17 and 18 to the basic financial statements.

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

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

***A. Basis of Presentation***

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

***Government-Wide Financial Statements*** The statement of net assets and the statement of activities display information about C-TEC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of C-TEC that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). C-TEC has no business-type activities.

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

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

***B. Fund Accounting***

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

***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.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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The difference between governmental fund assets and liabilities is reported as fund balance. The following are C-TEC's major governmental funds:

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

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

**Bond Retirement Fund** The Bond Retirement Debt Service Fund accounts for and reports property tax revenues restricted for the payment of general long-term debt principal, interest, and related costs.

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

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

### **C. Measurement Focus**

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

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

### **D. Basis of Accounting**

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**Revenues - Exchange and Nonexchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 C-TEC, available means expected to be received within sixty days of fiscal year-end.

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

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

**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, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

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

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

During the fiscal year 2012, C-TEC's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), nonnegotiable certificates of deposit, and federal agency securities.

Except for nonparticipating investment contracts, C-TEC reports investments at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit are reported at cost.

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

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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 STAROhio's net asset value per share which is the price the investments could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$12,917 which includes \$5,672 assigned from other funds of C-TEC.

"Cash and Cash Equivalents in Segregated Accounts" represents monies held in segregated bank accounts for the adult education department and for the payroll fund.

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***G. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventories of governmental funds consist of expendable supplies held for consumption and donated and purchased food held for resale.

***H. Capital Assets***

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

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

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-30 years
Buildings and Improvements	20-40 years
Furniture and Fixtures	5-20 years
Vehicles	8 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 in the governmental activities column of the statement of net assets.

***J. Compensated Absences***

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

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

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

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

On the governmental funds 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. 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 governments, or imposed by law through constitutional provisions or enabling legislation. See Note 16 for additional information regarding set asides.

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

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, and 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 in the current year. Bonds, long-term loans, and capital leases are recognized as a liability on the fund financial statements when due.

***M. Internal Activity***

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

Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

***N. Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which C-TEC is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

**Restricted:** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation (School District resolutions).

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the C-TEC Board of Education. Those committed amounts cannot be used for any other purpose unless the C-TEC Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by C-TEC for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the C-TEC Board of Education or a School District official delegated that authority by resolution or by State Statute.

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

*Notes to the Basic Financial Statements  
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**Unassigned:** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balances.

C-TEC applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which the amounts in any of the unrestricted fund balance classifications could be used.

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

Net assets restricted for other purposes include resources restricted for extracurricular programs and state and federal grants restricted to expenditures for specified purposes.

C-TEC applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***P. 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.

***Q. Estimates***

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

***R. Budgetary Process***

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 is required under the Ohio Revised Code; however this requirement is waived by the Licking County Budget Commission (Budget Commission). The Budget Commission accepts C-TEC's five year forecast in place of the tax budget. 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 the 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 fiscal year if projected increases or decreases in revenue are identified by C-TEC's Treasurer. The amounts reported as the original budgeted



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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 fiscal year with the restriction that appropriations may not exceed estimated resources. 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 years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

***S. Unamortized Issuance Costs/ Bond Premium and Discount***

In the government-wide financial statements bond issuance costs, bond premiums, and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt. Any gain or loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the period in which the debt is issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTE 3 – ACCOUNTABILITY**

The following funds had deficit fund balances as of June 30, 2012:

	<u>Deficit Fund Balances</u>
<u>Special Revenue Funds:</u>	
Food Service	(\$21,118)
Other Grants	(7,564)

The deficits in the special revenue funds were a result of the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. C-TEC is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While C-TEC is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) presented for the general fund and the adult education special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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

*Notes to the Basic Financial Statements  
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2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Cash in segregated accounts and prepaid items are reported on the balance sheet (GAAP basis) but not on the budgetary basis.
4. Encumbrances are treated as expenditures (budget) rather than committed or assigned fund balance (GAAP).
5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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 Fund.

Net Change in Fund Balances		
	General	Adult Education
GAAP Basis	\$2,309,845	\$60,029
Net Adjustment for Revenue Accruals	123,074	41,638
Net Adjustment for Expenditure Accruals	(105,547)	(525)
Beginning of Fiscal Year:		
Segregated Accounts	2,212	3,040
Prepaid Items	49,288	7,582
Unrecorded Cash	1,811	0
End of Fiscal Year:		
Segregated Accounts	(3,497)	(2,799)
Prepaid Items	(60,593)	(8,448)
Unrecorded Cash	(50)	0
Fair Value Adjustment for Investments	166	0
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types	(21,577)	0
Advances In	9,460	0
Advances Out	(21,127)	0
Adjustment for Encumbrances	(580,538)	(15,420)
Budget Basis	\$1,702,927	\$85,097

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Monies held by the C-TEC are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must 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.

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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 C-TEC can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
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);
7. The State Treasurer's investment pool (STAR Ohio); 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, C-TEC will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, C-TEC's bank balance was \$7,319,907. Of the bank balance, \$892,924 was covered by Federal depository insurance and \$6,426,983 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 C-TEC to a successful claim by the FDIC.

C-TEC 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 C-TEC 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 pledge 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.

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**Investments** As of June 30, 2012, C-TEC had the following investments.

	<u>Fair Value</u>	<u>Average Maturity</u>
STAROhio	\$968,948	52 Day
Federal Home Loan Bank Notes	500,090	4/13/2017
Federal National Mortgage Association Notes	501,335	11/30/2015
Federal National Mortgage Association Notes	<u>500,755</u>	3/21/2017
Total	<u>\$2,471,128</u>	

Interest Rate Risk

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

Credit Risk

The Federal Home Loan Bank Notes and the Federal National Mortgage Association Notes all carried a rating by Moody's of Aaa. 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. C-TEC has no deposit policy for custodial risk beyond the requirements of State statute.

Concentration of Credit Risk

Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. C-TEC places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2012:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
STAROhio	39.21
Federal Home Loan Bank Notes	20.24
Federal National Mortgage Association Notes	40.55

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

*Notes to the Basic Financial Statements  
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**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while C-TEC's fiscal year runs from July through June. First half tax collections are received by C-TEC 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 and public utility property located in C-TEC. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility personal property currently is assessed at varying percentages of true value.

C-TEC receives property taxes from Licking, Delaware, Fairfield, Franklin, Muskingum, and Knox Counties. The County Auditor from each county periodically advances to C-TEC its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012 are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2012 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 and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012, was \$782,614, \$616,944 was available to the General Fund and \$165,670 was available to the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2011, was \$907,754, \$720,439 was available to the General Fund and \$187,315 was available to the Bond Retirement Debt Service Fund.

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

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

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The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$3,705,361,880	96.58%	\$3,703,701,900	96.35%
Public Utility Personal	131,096,350	3.42%	140,172,570	3.65%
	<u>\$3,836,458,230</u>	<u>100.00%</u>	<u>\$3,843,874,470</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$2.52		\$2.52

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012 consisted of property taxes, accounts (billings for user charged services, tuition and fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The delinquent property taxes amounted to \$630,188 as of June 30, 2012.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
Adult Education Grant	\$32,552
Carl Perkins - Secondary Grant	69,865
Carl Perkins - Adult Grant	27,918
ABLE Instructional Grant	37,136
Pre-Soar Grant	10,226
EL/ Civics Grant	4,471
Title II-A Grant	3,777
Vocational Education Enhancement Grant	3,500
GED Test Reimbursement	4,400
Total	<u>\$193,845</u>

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

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**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<b>Nondepreciable Capital Assets</b>				
Land	\$107,951	\$0	\$0	\$107,951
Construction in Progress	0	10,585	0	10,585
Total Capital Assets not being depreciated	<u>107,951</u>	<u>10,585</u>	<u>0</u>	<u>118,536</u>
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	39,333,169	0	0	39,333,169
Furniture and Equipment	3,701,066	135,143	0	3,836,209
Vehicles	596,776	22,000	0	618,776
Total at Historical Cost	<u>43,631,011</u>	<u>157,143</u>	<u>0</u>	<u>43,788,154</u>
Less Accumulated Depreciation				
Buildings and Improvements	(4,413,802)	(890,913)	0	(5,304,715)
Furniture and Equipment	(1,451,745)	(232,792)	0	(1,684,537)
Vehicles	(488,053)	(15,205)	0	(503,258)
Total Accumulated Depreciation	<u>(6,353,600)</u>	<u>(1,138,910)</u>	<u>0</u>	<u>(7,492,510)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>37,277,411</u>	<u>(981,767)</u>	<u>0</u>	<u>36,295,644</u>
Governmental Activities Capital Assets, Net	<u>\$37,385,362</u>	<u>(\$971,182)</u>	<u>\$0</u>	<u>\$36,414,180</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$141,716
Vocational	476,829
Adult/ Continuing Education	129,134
Support Services:	
Pupil	573
Instructional Staff	208,993
Board of Education	4,641
Administration	2,493
Fiscal	9,494
Business	125,557
Operation and Maintenance of Plant	17,494
Pupil Transportation	7,205
Central	14,781
Total Depreciation Expense	<u>\$ 1,138,910</u>

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

*Notes to the Basic Financial Statements*

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**NOTE 9 - RISK MANAGEMENT**

C-TEC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2012, C-TEC contracted with Ohio Casualty for property, fleet, and liability insurance. Coverages provided are as follows:

Building - Replacement Cost (\$1,000 deductible)	\$54,588,360
Blanket Employee Dishonesty (\$1,000 deductible)	200,000
Employee Benefits Aggregate Limit (\$1,000 deductible each claim)	
Per Occurrence	1,000,000
Aggregate Per Year	3,000,000
Automobile Liability	
Bodily Injury and Property Damage (deductible \$500 collision and \$250 comprehensive)	1,000,000
Uninsured Motor Vehicle Bodily Injury –Aggregate Per Year	1,000,000
Underinsured Motor Vehicle Bodily Injury - Aggregate Per Year	1,000,000
General Liability – Per Occurrence	1,000,000
General Liability - Aggregate Per Year	2,000,000
Forgery (\$1,000 deductible)	50,000
Commercial Umbrella per Occurrence	3,000,000
Commercial Umbrella Aggregate	3,000,000

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

C-TEC participated in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (GRP Plan), an insurance purchasing pool (Note 18) until December 31, 2011. The intent of the GRP Plan is to achieve the benefit of a reduced premium for C-TEC by virtue of its grouping and representation with other participants in the GRP Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP Plan. Each participant pays its workers' compensation premium to the State based on the rate for the GRP Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP Plan. Participation in the GRP Plan is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administrative, cost control, and actuarial services to the GRP Plan.

Beginning January 1, 2012, C-TEC participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.



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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

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

Plan Description – C-TEC contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and C-TEC is required to contribute at an actuarially determined rate. The current C-TEC rate is 14 percent of annual covered payroll. A portion of the C-TEC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2012, 12.7 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The C-TEC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$341,659, \$288,752, and \$202,292, respectively. For fiscal year 2012, 98 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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

Plan Description - The C-TEC participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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

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

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account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. C-TEC was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. 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.

C-TEC's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$714,323, \$770,601, and \$965,323, respectively. For fiscal year 2012, 84 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$32,655 made by C-TEC and \$23,325 made by the plan members.

***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, 2012, there were four members of the Board of Education that elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

Plan Description – C-TEC participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2012, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

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C-TEC's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$53,808, \$76,963, and \$29,360, respectively. For fiscal year 2012, 26 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The C-TEC's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$20,138, \$18,631, and \$8,425, respectively. For fiscal year 2012, 98 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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

Plan Description – C-TEC contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. C-TEC's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$57,460, \$61,743, and \$77,039, respectively. For fiscal year 2012, 84 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**NOTE 12 - EMPLOYEE BENEFITS**

***A. Compensated Absences***

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 240 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 60 days for all employees. C-TEC also credits one day for every year of experience beyond ten years with C-TEC.

***B. Insurance Benefits***

Medical and prescription drug insurance is offered to employees through United Healthcare. Dental insurance coverage is provided through Core Source, Inc. and vision insurance is provided by C-TEC through Vision Services Plus (VSP), Inc. The employees share the cost of the monthly premium with C-TEC, which varies

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with employees depending on the terms of the union contract. C-TEC provides life insurance and accidental death and dismemberment insurance to all employees through Prudential Life Insurance, in the amount of \$50,000 for all employees.

**NOTE 13 – LONG-TERM OBLIGATIONS**

The change in C-TEC’s long-term obligations during fiscal year 2012 are as follows:

	Principal Outstanding 6/30/2011	Additions	Deductions	Principal Outstanding 6/30/2012	Due in One Year
Construction and Equipment Long-Term Loan 0%	\$266,667	\$0	\$33,334	\$233,333	\$33,333
School Facilities Improvement General Obligation Bonds 2002 Serial Bonds 3.4%-5.375%	4,720,000	0	880,000	3,840,000	1,000,000
Bond Premium	105,039	0	8,753	96,286	0
School Facilities Improvement Refunding Bonds 2010 Current Interest Serial Bonds 2.0%-4.0%	17,115,000	0	235,000	16,880,000	240,000
Capital Appreciation Bonds 2.38%-2.858%	309,991	0	0	309,991	0
Capital Appreciation Bond Accretion	161,337	237,544	0	398,881	0
Bond Premium on Current Interest Serial Bonds	670,351	0	55,863	614,488	0
Bond Premium on Capital Appreciation Bonds	1,379,784	0	275,957	1,103,827	0
Deferred Amount on Refunding	(1,645,230)	137,103	0	(1,508,127)	0
Various Purpose Bonds 2010B Series Facilities Bonds Serial Bonds - 2.0%-4.0%	1,350,000	0	15,000	1,335,000	15,000
Term Bonds - 4.0%-4.125%	2,305,000	0	0	2,305,000	0
Bond Premium	38,599	0	1,930	36,669	0
Judgement Bonds Serial Bonds - 2.0%-4.0%	275,000	0	10,000	265,000	10,000
Term Bonds - 4.0%-4.125%	415,000	0	0	415,000	0
Bond Premium	8,326	0	416	7,910	0
<b>Total Long-Term Bonds</b>	<b>27,474,864</b>	<b>374,647</b>	<b>1,516,253</b>	<b>26,333,258</b>	<b>1,298,333</b>
Capital Leases	8,441	0	2,177	6,264	2,357
Compensated Absences Payable	707,701	147,812	125,692	729,821	116,089
<b>Total General Long-Term Obligations</b>	<b>\$28,191,006</b>	<b>\$522,459</b>	<b>\$1,644,122</b>	<b>\$27,069,343</b>	<b>\$1,416,779</b>

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

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*Construction and Equipment Long-Term Loan* – On May 27, 2004, C-TEC received a zero interest construction loan through the Vocational School Building Assistance Fund administered by the Office of Career-Technical and Adult Education of the Ohio Department of Education in the amount of \$500,000 for the purpose of paying general expenses incurred due to the construction of new facilities. The loan was issued for a fifteen year period with final maturity on July 1, 2019. This debt will be retired through the General Fund using general tax revenues.

Principal and interest requirements to retire the Construction and Equipment Long-Term Loan outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30,	Principal
2013	\$33,333
2014	33,334
2015	33,333
2016	33,333
2017	33,334
2018-2019	66,666
Total	<u>\$233,333</u>

*2002 School Facilities Improvement General Obligation Bonds* - On December 15, 2002, C-TEC issued \$35,000,000 in voted School Facilities Improvement Serial Bonds for the purpose of constructing a new instructional building and renovating existing facilities. The proceeds from the sale of these bonds were recorded in the Building Capital Projects Fund. The School Facilities Improvement General Obligation Bonds were issued at a premium in the amount of \$687,738. During fiscal year 2010, C-TEC advance refunded \$17,955,000 of the serial bonds. The advance refunded portion of the bonds was removed from the financial statements of C-TEC. The remaining outstanding bonds are being retired from the Bond Retirement Fund using tax revenues. The original bonds were issued for a twenty-one period with a final maturity at December 1, 2023, and after the advance refunding the remaining bonds continue to have a final maturity at December 1, 2023.

Principal and interest requirements to retire the remaining bonds of the 2002 School Facilities Improvement General Obligation Bonds outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2013	\$1,000,000	\$161,775
2014	0	134,900
2015	0	134,900
2016	0	134,900
2017	0	134,900
2018-2022	0	674,500
2023-2024	2,840,000	202,350
Total	<u>\$3,840,000</u>	<u>\$1,578,225</u>

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*2010 School Facilities Improvement Refunding Bonds* – C-Tec had previously issued 2002 School Facilities Improvement General Obligation Bonds for school improvements that were partially refunded through the 2010 School Facilities Improvement Refunding Bonds. At the date of refunding, \$20,097,673 was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2002 School Facilities Improvement General Obligation Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from C-TEC’s financial statements. As of June 30, 2012, \$18,295,260 remained in the escrow account to retire the refunded 2002 School Facilities Improvement General Obligation Bonds outstanding balance in the amount of \$17,955,000.

On May 20, 2010, C-TEC issued \$17,954,991 of School Facilities Improvement Refunding Bonds that were issued to partially refund the 2002 School Facilities Improvement General Obligation Bonds. The bonds were issued for a thirteen year period with a final maturity at December 1, 2022. The \$17,954,991 bond issue consists of current interest serial bonds of \$17,645,000 and \$309,991 in capital appreciation bonds. The \$17,954,991 School Facilities Improvement Refunding General Obligation Bonds were issued at a premium in the amount of \$726,214 for the current interest serial bonds and \$1,655,741 for the capital appreciation bonds. Issuance costs in the amount of \$239,273 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The partial advance refunding resulted in a difference between the net carrying amount of the debt and the acquisition price, in the amount of \$1,782,333. This difference is being reported in the accompanying financial statements as a decrease to bonds payable and is being amortized to interest expense over the life of the bonds using the straight-line method. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$585,072. The issuance resulted in a total economic gain of \$497,653.

Principal and interest requirements to the 2010 School Facilities Improvement Refunding Bonds outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30,	Current Interest Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest/ Accretion
2013	\$240,000	\$639,025	\$0	\$0	\$240,000	\$639,025
2014	1,340,000	616,525	0	0	1,340,000	616,525
2015	0	596,425	229,056	1,220,944	229,056	1,817,369
2016	750,000	585,175	80,935	689,065	830,935	1,274,240
2017	1,615,000	545,663	0	0	1,615,000	545,663
2018-2022	10,340,000	1,618,400	0	0	10,340,000	1,618,400
2023	2,595,000	51,900	0	0	2,595,000	51,900
<b>Total</b>	<b>\$16,880,000</b>	<b>\$4,653,113</b>	<b>\$309,991</b>	<b>\$1,910,009</b>	<b>\$17,189,991</b>	<b>\$6,563,122</b>

*2010 Various Purpose Bonds* - On June 7, 2010, C-TEC issued \$4,345,000 in Various Purpose Bonds. A portion of the various purpose bonds in the amount of \$3,655,000 in facilities bonds were issued for the purpose of retiring the \$3,400,000 in bond anticipation notes which matured on September 2, 2010. The bond anticipation notes were issued for the purpose of constructing additions to and renovating and improving existing buildings and facilities, including health and safety upgrades and improving access for the disabled. The proceeds from the sale of these bonds were recorded in the Bond Retirement Debt Service Fund. Of the \$3,655,000 facilities bond issuance, \$1,350,000 was serial bonds and \$2,305,000 was term bonds. The

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\$3,655,000 facilities bonds were issued at a premium of \$40,529. Issuance costs related to the facilities bonds were \$109,406. The second portion of the various purpose bonds were for \$690,000 in judgment bonds issued for the purpose of paying a \$500,000 judgment settlement to Claggett and Sons, Inc. and the associated legal fees. \$661,911 of the proceeds from the sale of these bonds were recorded in the Building Capital Projects Fund and \$23,089 were deposited in the Bond Retirement Debt Service Fund for a total of \$690,000. Of the \$690,000 judgment bond issuance, \$275,000 were serial bonds and \$415,000 were term bonds. The \$690,000 in judgment bonds were issued at a premium in the amount of \$8,742. Issuance costs associated with the issuance of the judgment bonds were \$20,654.

The term bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the year and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2021	\$225,000

The remaining principal amount of such bonds (\$235,000) will be paid at stated maturity on December 1, 2022.

The term bonds maturing on December 1, 2024 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2023	\$250,000

The remaining principal amount of such bonds (\$250,000) will be paid at stated maturity on December 1, 2024.

The term bonds maturing on December 1, 2026 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2025	\$270,000

The remaining principal amount of such bonds (\$280,000) will be paid at stated maturity on December 1, 2026.

The term bonds maturing on December 1, 2028 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2027	\$290,000

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The remaining principal amount of such bonds (\$310,000) will be paid at stated maturity on December 1, 2028.

The term bonds maturing on December 1, 2030 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2029	\$315,000

The remaining principal amount of such bonds (\$295,000) will be paid at stated maturity on December 1, 2030.

Principal and interest requirements to retire the 2010 Various Purpose Bonds outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30,	Facilities Bonds		Judgment Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$15,000	\$135,769	\$10,000	\$25,018	\$25,000	\$160,787
2014	150,000	134,118	30,000	24,618	180,000	158,736
2015	140,000	130,869	30,000	23,943	170,000	154,812
2016	155,000	126,793	30,000	23,119	185,000	149,912
2017	170,000	121,919	30,000	22,219	200,000	144,138
2018-2022	895,000	516,345	170,000	93,532	1,065,000	609,877
2023-2027	1,075,000	322,644	210,000	56,070	1,285,000	378,714
2028-2031	1,040,000	86,810	170,000	12,667	1,210,000	99,477
<b>Total</b>	<b>\$3,640,000</b>	<b>\$1,575,267</b>	<b>\$680,000</b>	<b>\$281,186</b>	<b>\$4,320,000</b>	<b>\$1,856,453</b>

Capital leases will be paid from the General Fund. Compensated absences will be paid from the General, Adult Education, and Food Service Funds.

C-TEC's overall legal debt margin was \$321,318,007 with an unvoted debt margin of \$3,840,970 at June 30, 2012.

**NOTE 14 – CAPITAL LEASE**

In a previous fiscal year, C-TEC entered into a capitalized lease for a mailing machine. 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 are reflected as debt service expenditures in the basic financial statements for the governmental funds.



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The agreements provide for minimum annual rental payments as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$2,357	\$416	\$2,773
2014	2,552	220	2,772
2015	1,355	32	1,387
Total	<u>\$6,264</u>	<u>\$668</u>	<u>\$6,932</u>

The lease was originally capitalized in the amount of \$11,396. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2012 totaled \$2,177 in the governmental funds.

Property under Capital Lease	\$11,396
Less: Accumulated Depreciation	<u>(5,700)</u>
Total June 30, 2012	<u>\$5,696</u>

**NOTE 15 - INTERFUND ACTIVITY**

Interfund balances at June 30, 2012, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds:		
General Fund	\$254,191	\$0
Adult Education Special Revenue Fund	0	173,230
Total Major Funds	<u>254,191</u>	<u>173,230</u>
Other Nonmajor Governmental Funds:		
Food Service	0	3,905
Other Grant	0	14,112
Vocational Education Enhancement	0	1,500
ABLE Adult Basic Education	2,268	26,493
Carl Perkins Vocational Education	962	38,181
Total Other Nonmajor Governmental Funds	<u>3,230</u>	<u>84,191</u>
Total All Funds	<u>\$257,421</u>	<u>\$257,421</u>

Interfund balances/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed.

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C-TEC transferred \$2,038 from the General Fund to the Food Service Special Revenue Fund for the purpose of supplementing the food service department. C-TEC also transferred \$182,599 from the General Fund to the Bond Retirement Debt Service Fund for bond retirement payments related to the judgment bonds which were issued as a result of a the past lawsuit.

**NOTE 16 - STATUTORY SET-ASIDES**

C-TEC is required by State statute to annually set aside in the General Fund an amount based on a statutory formula 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.

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

	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2011	\$0
Current Year Set-Aside Requirement	120,418
Current Year Qualifying Disbursements	(665,181)
Excess Qualified Expenditures from Prior Years	<u>0</u>
Total	<u><u>(\$544,763)</u></u>
Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>
Cash Balances to Carry Forward to Future Fiscal Years	<u><u>\$0</u></u>

C-TEC had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amount below zero.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATION**

***A. Licking Area Computer Association***

C-TEC is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services approximately thirty entities within the boundaries of Licking, Muskingum, Fairfield and Perry Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating school districts. The continued existence of LACA is not dependent on C-TEC's continued participation and no equity interest exists.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. C-TEC's total payments to LACA for fiscal year 2012 were \$68,564. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

***B. Metropolitan Educational Council***

C-TEC participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of 195 members which includes Educational Service Centers, joint vocational schools, educational service centers, and libraries covering 58 counties in Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The Educational Service Center participates in the insurance purchasing pool. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating Educational Service Center in Franklin County (18 Educational Service Centers) and one representative from each county.

Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. C-TEC payments to MEC for fiscal year 2012 were \$300 for membership. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

***C. Educational Regional Service System Region 11***

C-TEC participates in the State Support Team Region 11 (SSTR11) a jointly governed organization operated by a Regional Advisory Council that is composed of entities within Delaware, Fairfield, Franklin, Licking, Madison, Pickaway, and Union counties. The purpose of SSTR11 is to provide professional development and technical assistance services to school districts, community schools, career centers, educational service centers, information technology centers, board of developmental disabilities, chartered nonpublic schools, and colleges and universities within the region by supporting State and district initiatives. The SSTR11 is governed by an advisory council, which is the advisory body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops recommendations to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the SSTR11, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the State Support Team – Region 11, 2080 Citygate Drive, Columbus, Ohio 43219. C-TEC made no payments to SSTR11 during fiscal year 2012.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**NOTE 18 - INSURANCE PURCHASING POOLS**

***A. Northern Buckeye Education Council Worker's Compensation Group Rating Plan***

C-TEC participated in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (GRP Plan), an insurance purchasing pool through December 31, 2011. The GRP Plan is governed by the seven member Board of the Northern Buckeye Education Council (NBEC). The NBEC has contracted with Sheakley Uniservice, Incorporated (Sheakley) to provide third-party administration of the GRP Plan. Each year, the participating school districts must pay their required enrollment fee to Sheakley to cover the costs of administration of the program. In fiscal year 2012, C-TEC made no payments to Sheakley.

***B. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan***

Beginning on January 1, 2012, C-TEC participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. 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. During fiscal year 2012, C-TEC paid \$760 for membership dues.

**NOTE 19 - CONTINGENCIES**

***A. Student Attendance and Grants***

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

C-TEC received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of C-TEC at June 30, 2012, if applicable, cannot be determined at this time.

***B. Litigation***

C-TEC is currently not party to any litigation.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**NOTE 20 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which C-TEC is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Adult Education	Bond Retirement	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Prepays	\$60,593	\$8,448	\$0	\$3,767	\$72,808
Unclaimed Monies	5,927	0	0	0	5,927
Materials and Supplies Inventory	0	0	0	133	133
<i>Total Nonspendable</i>	66,520	8,448	0	3,900	78,868
<u>Restricted for:</u>					
Adult Education	0	907,463	0	0	907,463
Department Clubs	0	0	0	26,789	26,789
Vocational Education	0	0	0	26,501	26,501
ABLE Adult Education	0	0	0	4,293	4,293
Reducing Class Size	0	0	0	1,292	1,292
Debt Service Payments	0	0	1,193,480	0	1,193,480
<i>Total Restricted</i>	0	907,463	1,193,480	58,875	2,159,818
<u>Committed to:</u>					
Scholarships	0	0	0	1,686	1,686
Other Purposes	62,232	0	0	0	62,232
<i>Total Restricted</i>	62,232	0	0	1,686	63,918
<u>Assigned to:</u>					
Public School Support	28,929	0	0	0	28,929
Capital Improvements	0	0	0	37	37
Other Purposes	306,801	0	0	0	306,801
<i>Total Assigned</i>	335,730	0	0	37	335,767
Unassigned:	4,986,404	0	0	(28,815)	4,957,589
<i>Total Fund Balances</i>	\$5,450,886	\$915,911	\$1,193,480	\$35,683	\$7,595,960

**NOTE 20 – SUBSEQUENT EVENTS**

On March 6, 2013, C-TEC received the results of an off-site program review of its Title IV, Student Financial Assistance Cluster (Pell Grants) that was completed by the U.S. Department of Education. The report found non-compliance relating to program accreditation approval and approved clock hours for certain Pell programs. As a result, C-TEC was notified that \$89,158 in Pell Grant funding previously received is required to be refunded to the U. S. Department of Education. C-TEC is working with the U.S. Department of Education to satisfy the liability and complete a corrective action plan.

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**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	\$ 10,546	\$ 10,546
National School Lunch Program	10.555	76,426	76,426
Total Child Nutrition Cluster		<u>86,972</u>	<u>86,972</u>
Total U.S. Department of Agriculture		<u><b>86,972</b></u>	<u><b>86,972</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Federal Pell Grant Program	84.063	457,263	443,184
Federal Direct Student Loans	84.268	341,802	351,310
Total Student Financial Assistance Cluster		<u>799,065</u>	<u>794,494</u>
<i>Passed Through Ohio Department of Education:</i>			
Adult Education-State Grant Program	84.002	154,119	156,912
Vocational Education- Basic Grants to States	84.048	392,544	443,870
Safe and Drug Free Schools and Communities - State Grants	84.186		-
Improving Teacher Quality - State Grants	84.367	350	853
Total U.S. Department of Education		<u><b>1,346,078</b></u>	<u><b>1,396,129</b></u>
<b>Total Federal Receipts and Expenditures</b>		<u><b>\$ 1,433,050</b></u>	<u><b>\$ 1,483,101</b></u>

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Career and Technology Education Centers, Licking County, Ohio, (the Center's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The Center commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Center assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The Center reports commodities consumed on the Schedule at the fair value. The Center allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.





# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Career and Technology Education Centers, Licking County, Ohio, (the Center) as of and for the year ended June 30, 2012, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 26, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

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

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

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

**Dave Yost**  
Auditor of State

March 26, 2013



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of the Career and Technology Education Centers, Licking County, Ohio, (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Center's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Center's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to opine on the Center's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 District's compliance with these 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 District's compliance with these requirements.

In our opinion, the Career and Technology Education Centers, Licking County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2012-01.

### Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Center's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-01 to be a material weakness.

The Center's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the Center's response and, accordingly, we express no opinion on it.

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



**Dave Yost**  
Auditor of State

March 26, 2013

**CAREER AND TECHNOLOGY EDUCATION CENTER  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Student Financial Assistance Cluster – CFDA# 84.063 and 84.268 - Activities Allowed or Unallowed
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

None

**CAREER AND TECHNOLOGY EDUCATION CENTER  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

<b>Finding Number</b>	Finding 2012-01
<b>CFDA Title and Number</b>	Student Financial Assistance Cluster – CFDA #84.063 and 84.268
<b>Federal Award Number / Year</b>	2011/2012
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Direct – U.S. Department of Education

**Activities Allowed or Unallowed  
Material Weakness/Noncompliance Finding**

The U. S. Department of Education’s (USDE) performed an off-site review of the Center. This review focused on ineligible programs discovered during the resolution of a complaint, as well as other issues self-reported by the Center. On November 26, 2012, the USDE submitted a program review report to the Center. USDE disclosed the results of the review to the Center and requested the Center review and provide a list of all students who participated in the ineligible programs.

The review found that the Center awarded financial aid to students for Industrial Maintenance and Facility Maintenance under the umbrella of Multi-craft maintenance for the 2011-2012 award year; however, both programs were denied during a recertification process due to lack of accreditation. Accreditation was not granted since the programs offered different credentials and course hours and the two courses required separate accreditation and certification by the U.S. Department of Education.

Furthermore, the review indicated the Center awarded students with accredited hours higher than what was approved. For instance, the Center awarded students attending the Heavy Truck Mechanics program 900 hours but was only approved at 720.

School Participation Division completed a Final Program Review Determination Report over the Center’s Pell grant activity, under Title IV, on March 1, 2013. The review covered award years 2010, 2011 and 2012. C.F.R. 34, Section 668.14, (a)(1), states that an institution may participate in any Title IV only if the institution enters into a written program participation agreement with the Secretary, on a form prescribed by the Secretary.

As a result, the USDE has required the Center pay back a total of \$89,158, of which \$39,112 was related to the Multi-Craft maintenance program. . The Center is currently working with the USDE to resolve the issue to the Department’s satisfaction.

There were other issues reported to the Center as a result of the review which are outside the scope of our requirements under the Single Audit Compliance Supplement. These issues will be addressed by the Center as a response to the reports overall results.

Compliance with these grant requirements can be enhanced with appropriate training and review of grant requirements related to Title IV accreditation and certification processes.

**CAREER AND TECHNOLOGY EDUCATION CENTER  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**Activities Allowed or Unallowed (Continued)  
Material Weakness/Noncompliance Finding (Continued)**

We recommend the Center review requirements related to Title IV and consult with the School Participation Division of the Department of Education to assure that all programs have required approvals and that any changes to programs are monitored by the Center's Pell Grant supervisors and appropriate notification be conveyed to the U.S. Department of Education.

**Official's Response and Corrective Action Plan:**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-01	C-TEC began consulting with the School Participation Division of the Department of Education to assure all programs have required approvals in May of 2012.	October 1, 2012	Kelly Wallace, Director of Adult Education
	All changes to programs eligible for student financial assistance are completed by C-TEC's Financial Aid Coordinator and approved by C-TEC's Director of Adult Education before any awards are made.	Ongoing	Kelly Wallace, Director of Adult Education

Early in 2012, C-TEC's financial aid internal review process identified potential errors related to the awarding of Title IV Assistance. Once these potential errors were identified C-TEC began communicating with the U.S. Department of Education's School Participation Division to verify Title IV awards were being calculated correctly. (To the best of our knowledge, it is this communication with the Department that has been classified by the Department as a "complaint".) On May 8, 2012 C-TEC sent a letter to the U.S. Department of Education's School Participation Division in order to formally resolve these concerns which initiated a program review of our Title IV Assistance. Through C-TEC's internal review and communication with the U.S. Department of Education's School Participation Division it was determined that C-TEC had incorrectly been awarding financial aid to students for Multi-Craft Industrial Maintenance and Multi-Craft Facility Maintenance. Once this was discovered, all current and subsequent awards were corrected. At the beginning of C-TEC's annual financial audit, C-TEC communicated this with the staff of the Auditor of State's Office. Prior to the completion of this report, all items identified have been resolved.

**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	34 CFR section 668.166(a)(1) – Pell Grant: Cash Management – Not crediting student accounts within three days	Yes	N/A





# Dave Yost • Auditor of State

## CAREER AND TECHNOLOGY EDUCATION CENTERS

### LICKING COUNTY

#### CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
APRIL 4, 2013