



**Auditor of State
Betty Montgomery**

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

The Career and Technology Education Centers
Licking County
150 Price Road
Newark, Ohio 43065

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Career and Technology Education Centers, Licking County, Ohio (the Center), as of and for the year ended June 30, 2004, 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Career and Technology Education Centers, Licking County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2005, 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.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The accompanying schedule of federal awards receipts and expenditures provides additional information and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

March 31, 2005

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

The discussion and analysis of the Career and Technology Education Centers of Licking County's financial performance provides an overview and analysis of the Education Center's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the Education Center's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the Education Center's financial performance.

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

Financial Highlights

- Total assets of the Career and Technology Education Centers of Licking County exceeded its liabilities at June 30, 2004 by \$15,219,775. This balance was comprised of a \$10,258,739 balance in capital assets, net of related debt and net asset amounts restricted for specific purposes, and \$4,961,036 in unrestricted net assets.
- In total, net assets of governmental activities increased by \$2,165,817, which represents a 17.53 percent increase from 2003. Net assets of the business-type activities decreased \$3,974, which represents a 0.56 percent decrease from 2003.
- General revenues accounted for \$12,324,867 or 86.03 percent of all revenues of governmental activities. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,001,395 or 13.97 percent of total revenues of \$14,326,262 for the governmental activities.
- The Education Center had \$12,160,445 in expenses related to governmental activities; only \$2,001,395 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$12,324,867 were used to provide for the remainder of these programs.
- The Education Center had \$1,358,118 in expenses related to business-type activities; \$1,332,407 of these expenses were offset by program specific charges for services and sales, grants or contributions.
- The Education Center recognizes three major governmental funds: the General, Bond Retirement and Building Funds. In terms of dollars received and spent, the General Fund is significantly larger than any of the other governmental funds of the Education Center. The General Fund had \$9,699,172 in revenues and \$9,177,044 in expenditures in fiscal year 2004.
- The Education Center recognizes one major proprietary fund: the Adult Education Fund. In terms of dollars received and spent, the Adult Education Fund is significantly larger than all the other proprietary funds of the Education Center combined. The Adult Education Fund had \$1,265,814 in revenues and \$1,294,992 in expenses in fiscal year 2004.

Using this Annual Report

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

(Unaudited)

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

Reporting the Education Center as a Whole

Government-Wide Financial Statements

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

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

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

In both of the government-wide financial statements, the Education Center's activities are divided into two distinct kinds of activities:

Governmental Activities

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

Business-Type Activities

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Reporting the Education Center's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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

Proprietary Funds

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

Fiduciary Funds

The Education Center's fiduciary funds are the private purpose trust and agency funds. We exclude these activities from the Education Center's other financial statements because the Education Center cannot use these assets to finance its operations. Private purpose trust funds are held in a trustee capacity for individuals, private organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

(Unaudited)

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the Education Center as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the Education Center's net assets for 2004 compared to fiscal year 2003:

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<u>Assets:</u>						
Current and Other Assets	\$49,481,439	\$52,396,846	\$424,819	\$350,048	\$49,906,258	\$52,746,894
Capital Assets, Net	9,922,154	5,415,308	379,775	455,538	10,301,929	5,870,846
<i>Total Assets</i>	59,403,593	57,812,154	804,594	805,586	60,208,187	58,617,740
<u>Liabilities:</u>						
Long-Term Liabilities	36,288,820	37,402,521	69,278	62,808	36,358,098	37,465,329
Other Liabilities	8,597,321	8,057,998	32,993	36,481	8,630,314	8,094,479
<i>Total Liabilities</i>	44,886,141	45,460,519	102,271	99,289	44,988,412	45,559,808
<u>Net Assets:</u>						
Invested in Capital Assets, Net of Related Debt	5,367,429	3,288,613	379,775	455,538	5,747,204	3,744,151
Restricted	4,511,535	4,305,576	0	0	4,511,535	4,305,576
Unrestricted	4,638,488	4,757,446	322,548	250,759	4,961,036	5,008,205
<i>Total Net Assets</i>	<u>\$14,517,452</u>	<u>\$12,351,635</u>	<u>\$702,323</u>	<u>\$706,297</u>	<u>\$15,219,775</u>	<u>\$13,057,932</u>

Current and other assets decreased \$2,840,636 from fiscal year 2003 with governmental activities comprising most of the decrease. The decrease is the result of a decrease in cash and cash equivalents which is due to expenditures for construction.

Capital assets increased by \$4,431,083 as a result of the construction in progress for the new facilities project.

Current (other) liabilities increased \$535,835 due to an increase in deferred revenue as it relates to property taxes receivable.

Long-term liabilities decreased \$1,107,231 due to scheduled payments made on the Education Center's debt outstanding.

The net assets of the Education Center business-type activities decreased \$3,974 or 0.56 percent.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

(Unaudited)

For governmental activities, the Education Center's largest portion of net assets is related to amounts invested in capital assets, net of related debt of \$5,367,429 or 36.97 percent. The Education Center used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the Education Center's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The next largest portion of net assets for governmental activities of \$4,638,488 or 31.95 percent is unrestricted. These net assets represent resources that may be used to meet the Education Center's ongoing obligations to its students and creditors.

The remaining balance for governmental activities of \$4,511,535 or 31.08 percent is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2004 and provides a comparison to fiscal year 2003.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<u>Revenues:</u>						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$333,613	\$224,378	\$955,183	\$830,727	\$1,288,796	\$1,055,105
Operating Grants and Contributions	1,667,782	1,903,095	377,224	410,004	2,045,006	2,313,099
Capital Grants and Contributions	0	166	0	0	0	166
<i>General Revenues:</i>						
Property Taxes	8,429,529	7,321,210	0	0	8,429,529	7,321,210
Unrestricted Grants and Entitlements	3,557,260	3,422,615	0	0	3,557,260	3,422,615
Unrestricted Tuition and Fees	0	17,599	0	0	0	17,599
Investments Earnings	264,686	1,417,734	0	0	264,686	1,417,734
Gain on Sale of Capital Assets	0	480	0	0	0	480
Miscellaneous	73,392	266,523	21,737	0	95,129	266,523
Total Revenues	14,326,262	14,573,800	1,354,144	1,240,731	15,680,406	15,814,531
<u>Expenses:</u>						
<i>Program Expenses:</i>						
<i>Instruction:</i>						
Regular	1,510,432	1,489,096	0	0	1,510,432	1,489,096
Special	9,163	0	0	0	9,163	0
Vocational	2,975,207	3,114,756	0	0	2,975,207	3,114,756
Adult/Continuing	354,697	449,671	0	0	354,697	449,671

(Continued)

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<i>Support Services:</i>						
Pupils	962,055	946,177	0	0	962,055	946,177
Instructional Staff	1,358,462	1,301,172	0	0	1,358,462	1,301,172
Board of Education	34,635	38,673	0	0	34,635	38,673
Administration	714,436	835,023	0	0	714,436	835,023
Fiscal	387,399	440,671	0	0	387,399	440,671
Business	193,457	13,632	0	0	193,457	13,632
Operation and Maintenance of Plant	1,049,279	1,065,602	0	0	1,049,279	1,065,602
Pupil Transportation	42,107	38,064	0	0	42,107	38,064
Central	559,348	76,401	0	0	559,348	76,401
<i>Operation of Non-Instructional Services:</i>						
Food Services	204,225	169,054	0	0	204,225	169,054
Extracurricular Activities	87,479	85,896	0	0	87,479	85,896
Interest and Fiscal Charges	1,718,064	1,396,020	0	0	1,718,064	1,396,020
Rotary	0	0	63,126	57,321	63,126	57,321
Adult Education	0	0	1,294,992	1,173,141	1,294,992	1,173,141
<i>Total Expenses</i>	<i>12,160,445</i>	<i>11,459,908</i>	<i>1,358,118</i>	<i>1,230,462</i>	<i>13,518,563</i>	<i>12,690,370</i>
<i>Changes in Net Assets before Transfers</i>						
	2,165,817	3,113,892	(3,974)	10,269	2,161,843	3,124,161
Net Transfers	0	(37,329)	0	37,329	0	0
<i>Changes in Net Assets</i>	<i>2,165,817</i>	<i>3,076,563</i>	<i>(3,974)</i>	<i>47,598</i>	<i>2,161,843</i>	<i>3,124,161</i>
Net Assets at Beginning of Year, As Restated	12,351,635	9,275,072	706,297	658,699	13,057,932	9,933,771
Net Assets at End of Year	\$14,517,452	\$12,351,635	\$702,323	\$706,297	\$15,219,775	\$13,057,932

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

(Unaudited)

The most significant program expenses for the Education Center are Vocational Instruction, Interest and Fiscal Charges, Regular Instruction, Instructional Staff and Operation and Maintenance of Plant. These programs account for 70.82 percent of the total governmental activities. Vocational Instruction, which accounts for 24.47 percent of the total, represents costs associated with providing instructional activities designed to prepare students to enter into the workforce with education in a trade or technical skills. Interest and Fiscal Charges, which accounts for 14.13 percent of the total, represents costs associated with the repayment of the Education Center's debt. Regular Instruction, which accounts for 12.42 percent of the total, represents costs associated with providing general educational services. Instructional Staff, which represents 11.17 percent of the total, represents costs associated with assisting the teaching staff with the content and process of educating students. Operation and Maintenance of Plant, which accounts of 8.63 percent of the total, represents costs associated with operating and maintaining the Education Center's facilities.

The majority of the funding for the most significant programs indicated above is from property taxes and grants and entitlements not restricted for specific programs. Property taxes and grants and entitlements not restricted for specific programs accounts for 91.10 percent of total revenues for governmental activities.

As noted previously, the net assets for governmental activities increased \$2,165,817 or 17.37 percent. This is a decrease from last year when net assets increased \$3,076,563 or 32.77 percent. Total revenues for governmental activities decreased \$247,538 or 1.70 percent over the last year and expenses increased \$700,537 or 6.11 percent over last year.

The Education Center had program revenue decreases for governmental activities of \$126,244, as well as a decrease in general revenues of \$121,294. The decrease in program revenues is mostly due to a decrease in operating grants reported as program revenue. There was one significant increase and one significant decrease in general revenues. Property taxes increased \$1,108,319 or 15.14 percent due to the addition of a bond retirement levy in 2004. Investment earnings decreased \$1,153,048 or 81.33 percent due fewer funds available for investment in the cash for construction.

The total expenses for governmental activities increased as a result of significant increases in central support service and interest and fiscal charges. The increase in central support services is the result of the Education Center's expenses for developing construction plans. The increase in interest and fiscal charges is due to the increase in the Education Center's debt obligations.

The most significant program expenses for the Education Center's business-type activities is Adult Education. This program, which accounts for 95.35 percent of the total business-type activities, represents costs associated with providing instructional activities designed to develop basic education and job training for adults. All of the funding for this program comes from tuition and fees, grants, and contributions.

For business-type activities, the Education Center's program revenue increased \$91,676 or 7.39 percent and expenses increased \$127,656 or 10.37 percent. These increases are mostly due to increased activity in the adult education programs.

Governmental Activities

Over the past several fiscal years, the Education Center has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The Education Center is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 58.84 percent and intergovernmental revenue made up 36.47 percent of the total revenue for the governmental activities in fiscal year 2004.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

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

The Education Center's 1.0 mill Debt Service Levy is an important piece of the financial picture. The levy is set to receive approximately \$3,000,000 and is to be used to fund the debt payments for the general obligation bonds issued to construct new facilities. The levy was first passed by District voters in 2002 and collection began in 2003.

The Education Center's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2004, the Education Center received \$3,397,212 through the State's foundation program, which represents 23.71 percent of the total revenue for the governmental activities. The Education Center relies on this state funding to operate at the current levels of service.

Instruction accounts for 39.88 percent of governmental program expenses. Support services expenses make up 43.59 percent of governmental expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Business-Type Activities

Business-type activities include the rotary activities and the adult education program. These programs had program revenues of \$1,332,407 and expenses of \$1,358,118 for fiscal year 2004. Over 65 percent of those program revenues were from tuition and classroom materials and fees for the adult education program.

Table 3 shows, the total cost of services and the net cost of services for fiscal year 2004 compared with fiscal year 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Net Cost of Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2004	2004	2003	2003
<i>Program Expenses:</i>				
<i>Governmental Activities:</i>				
Instruction	\$4,849,499	\$3,067,908	\$5,053,523	\$3,171,356
Support Services	5,301,178	5,289,087	4,755,415	4,682,350
Operation of Non-Instructional Services	204,225	64,313	169,054	26,623
Extracurricular Activities	87,479	19,678	85,896	55,920
Interest and Fiscal Charges	1,718,064	1,718,064	1,396,020	1,396,020
<i>Business-Type Activities:</i>				
Rotary	63,126	(25,204)	57,321	(15,429)
Adult Education	1,294,992	50,915	1,173,141	5,160
Total Expenses	\$13,518,563	\$10,184,761	\$12,690,370	\$9,322,000

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

(Unaudited)

The Education Center's Funds

The Education Center's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies and procedures). All governmental funds had total revenues and other financing sources of \$15,377,075 and expenditures and other financing uses of \$18,305,845.

Total governmental funds fund balance decreased by \$2,928,770. The decrease in fund balance for the year was most significant in the Building Fund, a decrease of \$3,361,310 reflecting increased expenditures for construction costs.

The Education Center should remain stable in fiscal years 2005 through 2007. However, projections beyond fiscal year 2007 show the Education Center may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

Budget Highlights - General Fund

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

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

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

For the General Fund, the final budget basis revenues available from all sources was \$10,898,360 representing no change from the original Certificate of the Total Amount from all Sources Available for Expenditures. The final budget reflected no change since there were no amendments made during the year. For the General Fund, the final budget basis expenditures were \$10,435,271 representing no change from the original budget expenditures. The final budget reflected no change since there were no amendments made during the year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the Education Center had \$17.5 million invested in capital assets in the governmental activities and \$1.2 million in the business-type activities. These totals carry accumulated depreciation of \$7.6 million and \$0.8 million, respectively. Table 4 shows fiscal year 2004 balances compared to fiscal year 2003.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

(Unaudited)

Table 4
Capital Assets & Accumulated Depreciation at June 30, 2004

	Governmental Activities		Business-Type Activities	
	2004	2003	2004	2003
<i>Nondepreciable Assets:</i>				
Land	\$242,114	\$242,114	\$0	\$0
Construction in Progress	5,367,447	1,118,105	0	0
<i>Depreciable Assets:</i>				
Land Improvements	676,908	676,908	0	0
Buildings and Improvements	7,079,217	7,049,793	849,807	849,807
Furniture, Fixtures and Equipment	3,567,750	2,842,153	370,917	370,917
Vehicles	575,152	524,000	0	0
<i>Total Capital Assets</i>	17,508,588	12,453,073	1,220,724	1,220,724
<i>Accumulated Depreciation:</i>				
Land Improvements	(620,853)	(582,312)	0	0
Buildings and Improvements	(4,347,813)	(4,133,176)	(609,027)	(580,701)
Furniture, Fixtures and Equipment	(2,207,291)	(1,936,485)	(231,922)	(184,485)
Vehicles	(410,477)	(385,792)	0	0
<i>Total Accumulated Depreciation</i>	(7,586,434)	(7,037,765)	(840,949)	(765,186)
Capital Assets, Net	\$9,922,154	\$5,415,308	\$379,775	\$455,538

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

(Unaudited)

Debt Administration

At June 30, 2004, the Education Center had \$34,717,775 in general obligation debt outstanding with \$1,655,415 due within one year. Table 5 summarizes bonds and notes outstanding for fiscal year 2004 compared to fiscal year 2003.

Table 5
Outstanding Debt, Governmental Activities at Year End

Purpose	2004	2003
Energy Conservation Note	\$732,775	\$834,525
General Obligation Bonds	33,485,000	35,000,000
Construction Loan	500,000	0
Total	<u>\$34,717,775</u>	<u>\$35,834,525</u>

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

Current Issues

Although considered a mid-wealth district, Career and Technology Education Centers of Licking County is financially stable, and has been over the past several years. As indicated in the preceding financial information, the Education Center is dependent on property taxes and state funding. State funding does not increase solely as a result of inflation. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding from property taxes to meet inflation. Careful financial planning has permitted the Education Center to provide a quality education for our students.

As indicated in the preceding financial information, the Education Center relies on the State funding for over a quarter of their funding. In the summer of 2003, the Governor's Blue Ribbon Task Force on Financing Student Success began the challenge of developing a school funding system that is effective and for which a consensus can be developed. As of the date of these financial statements, the Education Center is unable to determine what effect, if any, this task force will have on its future State funding and on its financial statements.

The State Legislature has also made several significant changes impacting local taxes:

In 2003 the Ohio Legislature modified the provisions of the 1999 HB283. This bill was designed to reduce the assessed valuation of the inventory component of personal property tax from 25 percent to 0 percent by 2031. The modification speeds up the reduction of assessed valuation to be completed in half the original time. Effective January 1, 2001 non-municipal owned electric utilities and rural cop-ops were deregulated in the State of Ohio. All electric company personal property were reduced from 100 percent assessed value (from 50 percent for rural co-ops) to 25 percent. (Distribution and transmission of personal property will continue to be assessed at 88 percent.) This significantly reduced revenues to certain school districts and moderately affects others.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)*

Effective May 1, 2001 a kilowatt hour (KWH) tax began being collected. 37.8 percent of these new dollars would be deposited in a new Property Tax Replacement Fund (PTRF). 70 percent of the PTRF will be paid to school districts that lost revenue as determined by the Ohio Department of Taxation. First, distribution will be made to cover costs of fixed sum levies such as debt issues and emergency levies. Next, fixed rate levies would be replaced from 2002 through 2006; after this a phase out formula would begin.

The above changes affect the Education Center's property tax revenue. Based on these factors, the Board of Education and the administration of the Education Center must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the Education Center.

Residential growth has not eluded the Education Center over the past few years. Increasing numbers of housing developments are being approved. Residential/agricultural property contributes 88 percent of the Education Center's real estate valuation.

Commercial growth saw a slight overall increase in assessed valuation in calendar 2004. This was mainly due to increased valuation of the businesses located mainly in Licking County.

The Education Center is in the process of building a 350,000 square foot facility. This facility will be able to accommodate over 800 students which will be a 300 student population growth. It will allow for more adult education students to be served through additional facilities. The Education Center is anticipating increases in expenses related to the maintenance of the new building and has included them in the five year forecast however, the Education Center does not anticipate any additional expenses related to instruction when the building opens.

The Education Center is also currently expanding the Career Technical Education Offerings throughout Licking County. The Education Center will be expanding and offering more Career Course Programs off campus at our Associate School locations. These programs will be conducted by the Education Center at those locations. We are anticipating significant enrollment increases due to these offerings. These increases in enrollment will bring in additional revenue from the state foundation program to help offset expenses related to those programs.

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

Contacting the Education Center's Financial Management

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$40,774,985	\$295,754	\$41,070,739
Property Taxes Receivable	8,529,638	0	8,529,638
Accounts Receivable	0	95,900	95,900
Intergovernmental Receivable	66,090	33,165	99,255
Accrued Interest Receivable	75,693	0	75,693
Prepaid Items	35,033	0	35,033
Nondepreciable Capital Assets	5,609,561	0	5,609,561
Depreciable Capital Assets, net	4,312,593	379,775	4,692,368
<i>Total Assets</i>	<u>59,403,593</u>	<u>804,594</u>	<u>60,208,187</u>
<u>Liabilities:</u>			
Accounts Payable	11,701	5,084	16,785
Accrued Wages and Benefits	549,704	7,761	557,465
Contracts Payable	520,903	2,999	523,902
Intergovernmental Payable	212,722	17,149	229,871
Accrued Interest Payable	249,552	0	249,552
Deferred Revenue	6,935,335	0	6,935,335
Retainage Payable	117,404	0	117,404
<i>Long-Term Liabilities:</i>			
Due within One Year	1,780,920	17,280	1,798,200
Due in More Than One Year	34,507,900	51,998	34,559,898
<i>Total Liabilities</i>	<u>44,886,141</u>	<u>102,271</u>	<u>44,988,412</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	5,367,429	379,775	5,747,204
<i>Restricted for:</i>			
Capital Projects	4,000,793	0	4,000,793
Debt Service	342,399	0	342,399
Other Purposes	168,343	0	168,343
Unrestricted	4,638,488	322,548	4,961,036
<i>Total Net Assets</i>	<u>\$14,517,452</u>	<u>\$702,323</u>	<u>\$15,219,775</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, 2004

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
<u>Governmental Activities:</u>			
<i>Instruction:</i>			
Regular	\$1,510,432	\$0	\$0
Special	9,163	0	0
Vocational	2,975,207	125,900	1,437,392
Adult/Continuing	354,697	0	218,299
<i>Support Services:</i>			
Pupils	962,055	0	2,925
Instructional Staff	1,358,462	0	6,166
Board of Education	34,635	0	0
Administration	714,436	0	0
Fiscal	387,399	0	0
Business	193,457	0	0
Operation and Maintenance of Plant	1,049,279	0	0
Pupil Transportation	42,107	0	0
Central	559,348	0	3,000
Operation of Non-Instructional Services	204,225	139,912	0
Extracurricular Activities	87,479	67,801	0
<i>Debt Service:</i>			
Interest and Fiscal Charges	1,718,064	0	0
<i>Total Governmental Activities</i>	<u>12,160,445</u>	<u>333,613</u>	<u>1,667,782</u>
<u>Business-Type Activities:</u>			
Rotary	63,126	88,330	0
Adult Education	1,294,992	866,853	377,224
<i>Total Business-Type Activities</i>	<u>1,358,118</u>	<u>955,183</u>	<u>377,224</u>
<i>Totals</i>	<u>\$13,518,563</u>	<u>\$1,288,796</u>	<u>\$2,045,006</u>

General Revenues:

Property Taxes Levied for:

General Purposes

Debt Service

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

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

Net Assets at End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,510,432)	\$0	(\$1,510,432)
(9,163)	0	(9,163)
(1,411,915)	0	(1,411,915)
(136,398)	0	(136,398)
(959,130)	0	(959,130)
(1,352,296)	0	(1,352,296)
(34,635)	0	(34,635)
(714,436)	0	(714,436)
(387,399)	0	(387,399)
(193,457)	0	(193,457)
(1,049,279)	0	(1,049,279)
(42,107)	0	(42,107)
(556,348)	0	(556,348)
(64,313)	0	(64,313)
(19,678)	0	(19,678)
<u>(1,718,064)</u>	<u>0</u>	<u>(1,718,064)</u>
<u>(10,159,050)</u>	<u>0</u>	<u>(10,159,050)</u>
0	25,204	25,204
<u>0</u>	<u>(50,915)</u>	<u>(50,915)</u>
0	(25,711)	(25,711)
<u>(10,159,050)</u>	<u>(25,711)</u>	<u>(10,184,761)</u>
5,807,386	0	5,807,386
2,622,143	0	2,622,143
3,557,260	0	3,557,260
264,686	0	264,686
73,392	21,737	95,129
<u>12,324,867</u>	<u>21,737</u>	<u>12,346,604</u>
2,165,817	(3,974)	2,161,843
<u>12,351,635</u>	<u>706,297</u>	<u>13,057,932</u>
<u>\$14,517,452</u>	<u>\$702,323</u>	<u>\$15,219,775</u>

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Balance Sheet
Governmental Funds
June 30, 2004*

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$5,110,595	\$637,172	\$32,229,648	\$2,797,570	\$40,774,985
Property Taxes Receivable	5,686,426	2,843,212	0	0	8,529,638
Intergovernmental Receivable	0	0	0	66,090	66,090
Accrued Interest Receivable	0	0	75,693	0	75,693
Interfund Receivable	97,370	0	0	0	97,370
Prepaid Items	7,442	0	27,591	0	35,033
<i>Total Assets</i>	<u>\$10,901,833</u>	<u>\$3,480,384</u>	<u>\$32,332,932</u>	<u>\$2,863,660</u>	<u>\$49,578,809</u>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$9,360	\$0	\$0	\$2,341	\$11,701
Accrued Wages and Benefits	542,103	0	0	7,601	549,704
Contracts Payable	33,429	0	476,542	10,932	520,903
Intergovernmental Payable	139,227	0	0	10,304	149,531
Retainage Payable	0	0	117,404	0	117,404
Interfund Payable	0	0	0	97,370	97,370
Deferred Revenue	4,909,553	2,454,776	0	25,055	7,389,384
<i>Total Liabilities</i>	<u>5,633,672</u>	<u>2,454,776</u>	<u>593,946</u>	<u>153,603</u>	<u>8,835,997</u>
<u>Fund Balances:</u>					
Reserved for Encumbrances	325,901	0	5,377,346	129,229	5,832,476
Reserved for Property Taxes	776,873	388,436	0	0	1,165,309
<i>Unreserved, Undesignated, Reported in:</i>					
General Fund	4,165,387	0	0	0	4,165,387
Special Revenue Funds	0	0	0	56,520	56,520
Debt Service Fund	0	637,172	0	0	637,172
Capital Projects Funds	0	0	26,361,640	2,524,308	28,885,948
<i>Total Fund Balances</i>	<u>5,268,161</u>	<u>1,025,608</u>	<u>31,738,986</u>	<u>2,710,057</u>	<u>40,742,812</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$10,901,833</u>	<u>\$3,480,384</u>	<u>\$32,332,932</u>	<u>\$2,863,660</u>	<u>\$49,578,809</u>

See accompanying notes to the basic financial statements.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

Reconciliation of Total Governmental Fund Balances to

Net Assets of Governmental Activities

June 30, 2004

Total Governmental Funds Balances \$40,742,812

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 9,922,154

Some of the Education Center's receivables will be collected after fiscal year-end, however are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:

Property taxes	428,994
Intergovernmental	<u>25,055</u>

Total receivables that are deferred in the funds 454,049

Intergovernmental payables include contractually required pension contributions not expected to be paid with expendable available financial resources and therefore are not reported in the funds. (63,191)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Energy conservation note	(732,775)
General obligation bonds	(33,485,000)
Construction loan	(500,000)
Premium on bonds issued	(677,328)
Accrued interest on notes and bonds	(249,552)
Compensated absences	<u>(893,717)</u>

Total liabilities that are not reported in the funds (36,538,372)

Net Assets of Governmental Activities \$14,517,452

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, 2004

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$5,853,987	\$2,645,443	\$0	\$0	\$8,499,430
Intergovernmental	3,695,301	305,700	0	1,472,322	5,473,323
Interest	70,861	0	168,314	25,511	264,686
Tuition and Fees	15,508	0	0	110,392	125,900
Extracurricular Activities	0	0	0	33,085	33,085
Charges for Services	34,716	0	0	139,912	174,628
Miscellaneous	28,799	0	0	10,727	39,526
Total Revenues	9,699,172	2,951,143	168,314	1,791,949	14,610,578
<u>Expenditures:</u>					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	1,435,916	0	0	796	1,436,712
Special	15,384	0	0	564	15,948
Vocational	3,023,965	0	0	285,118	3,309,083
Adult/Continuing	99,070	0	0	308,763	407,833
<i>Support Services:</i>					
Pupils	649,180	0	0	287,237	936,417
Instructional Staff	790,949	0	0	541,139	1,332,088
Board of Education	34,103	0	0	0	34,103
Administration	665,796	742	0	7,157	673,695
Fiscal	347,944	43,332	0	3,513	394,789
Business	351,890	0	0	0	351,890
Operation and Maintenance of Plant	1,019,160	0	11,594	0	1,030,754
Pupil Transportation	20,923	0	0	0	20,923
Central	523,828	0	10,717	19,211	553,756
Operation of Non-Instructional Services	0	0	0	202,135	202,135
Extracurricular Activities	54,588	0	0	32,891	87,479
Capital Outlay	1,534	0	4,007,313	42,621	4,051,468
<i>Debt Service:</i>					
Principal Retirement	101,750	1,515,000	0	0	1,616,750
Interest and Fiscal Charges	41,064	1,542,461	0	0	1,583,525
Total Expenditures	9,177,044	3,101,535	4,029,624	1,731,145	18,039,348
Excess of Revenues Over (Under) Expenditures	522,128	(150,392)	(3,861,310)	60,804	(3,428,770)
<u>Other Financing Sources (Uses):</u>					
Transfers In	0	160,242	0	106,255	266,497
Transfers Out	(266,497)	0	0	0	(266,497)
Proceeds of Loans	0	0	500,000	0	500,000
Total Other Financing Sources (Uses)	(266,497)	160,242	500,000	106,255	500,000
Net Change in Fund Balances	255,631	9,850	(3,361,310)	167,059	(2,928,770)
Fund Balances at Beginning of Year - As Restated (See Note 3)	5,012,530	1,015,758	35,100,296	2,542,998	43,671,582
Fund Balances at End of Year	\$5,268,161	\$1,025,608	\$31,738,986	\$2,710,057	\$40,742,812

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, 2004*

Net Change in Fund Balances - Total Governmental Funds (\$2,928,770)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	4,506,846
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:	
Property taxes	(69,901)
Intergovernmental	<u>(248,281)</u>
Total revenues not reported in the funds	(318,182)
Repayment of note and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,616,750
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(134,539)
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from a construction loan.	(500,000)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Increase in compensated absences	(101,472)
Increase in intergovernmental payables	(8,682)
Amortization of bond premium	<u>33,866</u>
Total expenditures not reported in the funds	<u>(76,288)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$2,165,817</u></u>

See accompanying notes to the basic financial statements.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

Statement of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual (Budget Basis)

General Fund

For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property Taxes	\$6,106,252	\$6,106,252	\$5,672,089	(\$434,163)
Intergovernmental	4,180,467	4,180,467	3,695,301	(485,166)
Interest	240,000	240,000	70,861	(169,139)
Tuition and Fees	16,328	16,328	15,508	(820)
Charges for Services	24,000	24,000	34,716	10,716
Miscellaneous	29,600	29,600	80,093	50,493
Total Revenues	10,596,647	10,596,647	9,568,568	(1,028,079)
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	5,862,910	5,862,910	1,439,188	4,423,722
Special	8,200	8,200	16,096	(7,896)
Vocational	1,662,950	1,662,950	3,093,944	(1,430,994)
Adult/Continuing	59,041	59,041	124,818	(65,777)
<i>Support Services:</i>				
Pupils	215,670	215,670	733,052	(517,382)
Instructional Staff	307,830	307,830	809,876	(502,046)
Board of Education	11,430	11,430	18,404	(6,974)
Administration	248,292	248,292	743,580	(495,288)
Fiscal	131,966	131,966	369,301	(237,335)
Business	176,253	176,253	404,382	(228,129)
Operation and Maintenance of Plant	451,097	451,097	1,170,993	(719,896)
Pupil Transportation	6,235	6,235	21,187	(14,952)
Central	177,112	177,112	548,023	(370,911)
Extracurricular Activities	12,473	12,473	54,699	(42,226)
Capital Outlay	514	514	1,534	(1,020)
<i>Debt Service:</i>				
Principal Retirement	512,690	512,690	101,750	410,940
Interest and Fiscal Charges	35,737	35,737	41,064	(5,327)
Total Expenditures	9,880,400	9,880,400	9,691,891	188,509
Excess of Revenues Over (Under) Expenditures	716,247	716,247	(123,323)	(839,570)
<u>Other Financing Sources (Uses):</u>				
Proceeds from the Sale of Capital Assets	0	0	2,560	2,560
Advances In	301,713	301,713	300,639	(1,074)
Advances Out	(61,406)	(61,406)	(115,571)	(54,165)
Transfers Out	(493,465)	(493,465)	(266,497)	226,968
Total Other Financing Sources (Uses)	(253,158)	(253,158)	(78,869)	174,289
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	463,089	463,089	(202,192)	(665,281)
Fund Balance at Beginning of Year	4,504,053	4,504,053	4,504,053	0
Prior Year Encumbrances Appropriated	420,765	420,765	420,765	0
Fund Balance at End of Year	\$5,387,907	\$5,387,907	\$4,722,626	(\$665,281)

See accompanying notes to the basic financial statements.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

Statement of Fund Net Assets

Proprietary Funds

June 30, 2004

	<u>Business-Type Activities</u>		
	<u>Adult Education</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
<u>Assets:</u>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$125,520	\$170,234	\$295,754
Accounts Receivable	95,900	0	95,900
Intergovernmental Receivable	33,165	0	33,165
<i>Noncurrent Assets:</i>			
Depreciable Capital Assets, Net	<u>379,775</u>	<u>0</u>	<u>379,775</u>
<i>Total Assets</i>	<u>634,360</u>	<u>170,234</u>	<u>804,594</u>
<u>Liabilities:</u>			
<i>Current Liabilities:</i>			
Accounts Payable	5,084	0	5,084
Accrued Wages and Benefits	7,761	0	7,761
Contracts Payable	2,999	0	2,999
Intergovernmental Payable	17,149	0	17,149
Compensated Absences Payable	17,280	0	17,280
<i>Noncurrent Liabilities:</i>			
Compensated Absences Payable	<u>51,998</u>	<u>0</u>	<u>51,998</u>
<i>Total Liabilities</i>	<u>102,271</u>	<u>0</u>	<u>102,271</u>
<u>Net Assets:</u>			
Invested in Capital Assets	379,775	0	379,775
Unrestricted	<u>152,314</u>	<u>170,234</u>	<u>322,548</u>
<i>Total Net Assets</i>	<u><u>\$532,089</u></u>	<u><u>\$170,234</u></u>	<u><u>\$702,323</u></u>

See accompanying notes to the basic financial statements.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004*

	Business-Type Activities		
	Adult Education	Other Enterprise Fund	Total Enterprise Funds
<u>Operating Revenues:</u>			
Tuition	\$727,041	\$0	\$727,041
Classroom Materials and Fees	139,812	0	139,812
Charges for Services	0	88,330	88,330
Other Revenues	21,737	0	21,737
<i>Total Operating Revenues</i>	<u>888,590</u>	<u>88,330</u>	<u>976,920</u>
<u>Operating Expenses:</u>			
Salaries	742,619	0	742,619
Fringe Benefits	219,284	0	219,284
Purchased Services	130,575	1,414	131,989
Materials and Supplies	124,915	61,712	186,627
Depreciation	75,763	0	75,763
Other	1,836	0	1,836
<i>Total Operating Expenses</i>	<u>1,294,992</u>	<u>63,126</u>	<u>1,358,118</u>
<i>Operating Income (Loss)</i>	<u>(406,402)</u>	<u>25,204</u>	<u>(381,198)</u>
<u>Nonoperating Revenues:</u>			
Federal and State Subsidies	377,224	0	377,224
<i>Total Nonoperating Revenues</i>	<u>377,224</u>	<u>0</u>	<u>377,224</u>
<i>Change in Net Assets</i>	(29,178)	25,204	(3,974)
<i>Net Assets at Beginning of Year - As Restated (See Note 3)</i>	<u>561,267</u>	<u>145,030</u>	<u>706,297</u>
<i>Net Assets at End of Year</i>	<u>\$532,089</u>	<u>\$170,234</u>	<u>\$702,323</u>

See accompanying notes to the basic financial statements.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2004

	Business-Type Activities		
	Adult Education	Other Enterprise Fund	Total Enterprise Funds
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$854,857	\$88,330	\$943,187
Other Cash Receipts	21,737	0	21,737
Cash Payments to Employees for Services	(731,309)	0	(731,309)
Cash Payments for Employee Benefits	(225,584)	0	(225,584)
Cash Payments for Goods and Services	(250,715)	(63,126)	(313,841)
Other Cash Payments	(1,836)	0	(1,836)
<i>Net Cash from Operating Activities</i>	<u>(332,850)</u>	<u>25,204</u>	<u>(307,646)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	377,224	0	377,224
<i>Net Cash from Noncapital Financing Activities</i>	<u>377,224</u>	<u>0</u>	<u>377,224</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	44,374	25,204	69,578
<i>Cash and Cash Equivalents at Beginning of Year</i>	81,146	145,030	226,176
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$125,520</u>	<u>\$170,234</u>	<u>\$295,754</u>
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash from Operating Activities:</u>			
Operating Income (Loss)	(\$406,402)	\$25,204	(\$381,198)
<u>Adjustments to Reconcile Operating Income (Loss)</u>			
<u>to Net Cash from Operating Activities:</u>			
Depreciation	75,763	0	75,763
<i>(Increase) Decrease in Assets:</i>			
Accounts Receivable	(18,739)	0	(18,739)
Intergovernmental Receivable	6,743	0	6,743
<i>Increase (Decrease) in Liabilities:</i>			
Accounts Payable	3,572	0	3,572
Accrued Wages and Benefits	4,840	0	4,840
Contracts Payable	2,999	0	2,999
Intergovernmental Payable	(8,096)	0	(8,096)
Compensated Absences Payable	6,470	0	6,470
<i>Total Adjustments</i>	<u>73,552</u>	<u>0</u>	<u>73,552</u>
<i>Net Cash from Operating Activities</i>	<u>(\$332,850)</u>	<u>\$25,204</u>	<u>(\$307,646)</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, 2004

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	<u>\$59,569</u>	<u>\$794,344</u>
<u>Liabilities:</u>		
Due to Students	\$0	\$37,121
Undistributed Monies	<u>0</u>	<u>757,223</u>
<i>Total Liabilities</i>	<u>0</u>	<u>794,344</u>
<u>Net Assets:</u>		
<i>Held in Trust for:</i>		
Scholarships	<u>59,569</u>	<u>0</u>
<i>Total Net Assets</i>	<u>\$59,569</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

Statement of Change in Fiduciary Net Assets

Fiduciary Fund

For the Fiscal Year Ended June 30, 2004

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Gifts and Donations	\$6,430
Interest	<u>508</u>
<i>Total Additions</i>	6,938
<u>Deductions</u>	<u>8,568</u>
<i>Change in Net Assets</i>	(1,630)
<i>Net Assets at Beginning of Year</i>	<u>61,199</u>
<i>Net Assets at End of Year</i>	<u><u>\$59,569</u></u>

See accompanying notes to the basic financial statements.

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CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

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

The Education Center operates under a seven-member Board of Education and is responsible for the provision of public education to residents of the Education Center. The Board of Education of the Education Center is not directly elected. The Board is made up from members of the elected boards of the participating school districts and the Licking County Educational Service Center. The Education Center is staffed by 36 non-certificated employees and 93 certificated full-time teaching personnel who provide services to 605 students and other community members. The Education Center currently operates 4 buildings.

Reporting Entity

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

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

The Education Center is associated with two organizations, one of which is defined as a jointly governed organization and one as an insurance purchasing pool. These organizations are the Licking Area Computer Association and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the basic financial statements.

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

Governmental Funds

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

The following are the Education Center's major governmental funds:

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

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

Building Fund- This fund is used to account for the revenues and expenditures related to all special bond funds in the Education Center, including the proceeds from the sale of the bonds. Expenditures of the fund represent the costs of acquiring capital facilities including real property.

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

Proprietary Funds

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

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

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

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Education Center Treasurer. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the original amended certificate of estimated resources issued during fiscal year 2004 since no amendments were made by the Education Center, see Note 5.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the original appropriation amounts passed by the Board of Education, since no amendments were made during fiscal year 2004.

F. Cash and Cash Equivalents

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

During the fiscal year 2004, the Education Center's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), U.S. government securities and repurchase agreements. Except for repurchase agreements which are reported at cost, investments are reported at fair value which is based on quoted market prices. 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 share price which is the price the investments the investment could be sold for on June 30, 2004.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$70,861, which includes \$13,208 assigned from other Education Center funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Education Center are presented on the financial statements as cash equivalents.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

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

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

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payable”. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The Education Center had a \$100,000 internal balance which was due to an advance from the General Fund to the Adult Education Fund. As a result of a board resolution, this advance was changed to a permanent transfer, which lead to a prior period adjustment to eliminate the receivable and payable (See Note 3).

J. Compensated Absences

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

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

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

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

For the governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Compensated Absences Payable” in the fund from which the employees will be paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Liabilities

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

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

L. Net Assets

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

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

M. Fund Balance Reserves

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

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

N. Operating Revenues and Expenses

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

O. Interfund Transactions

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

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

P. Estimates

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

NOTE 3 - PRIOR PERIOD ADJUSTMENTS

The Education Center had prior period adjustments for the reclassification of the Cafeteria Fund, the correction of an accrual, the elimination of internal balances, the elimination of library book and textbooks from capital assets, and the reclassification of capital assets that had the following effects on fund balance and net assets of the Education Center as they were previously reported.

	Governmental Activities	Business- Type Activities	General Fund	Nonmajor Governmental Funds	Adult Education	Nonmajor Enterprise Fund
Fund Balances/Net Assets, June 30, 2003	\$12,445,795	\$625,790	\$5,112,530	\$2,545,850	\$461,267	\$164,523
Capital Asset Adjustment	22,550	(22,550)	0	0	0	(22,550)
Elimination of Capital Assets	(13,858)	0	0	0	0	0
Elimination of Internal Balances	(100,000)	100,000	(100,000)	0	100,000	0
Accrual Adjustment	0	205	0	0	0	205
Fund Reclassification	(2,852)	2,852	0	(2,852)	0	2,852
Adjusted Fund Balances/Net Assets June 30, 2003	<u>\$12,351,635</u>	<u>\$706,297</u>	<u>\$5,012,530</u>	<u>\$2,542,998</u>	<u>\$561,267</u>	<u>\$145,030</u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund balances/net assets as of June 30, 2004:

<i>Nonmajor Special Revenue Funds:</i>	
Cafeteria	\$4,236
Management Information System	16
Drug Free Schools	1,292

The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis at June 30, 2004.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Compliance

1. Ohio Revised Code Section 5705.41(B) requires that budgetary expenditures be within Board approved appropriations during the fiscal year. The Education Center did not file an amended appropriation measure until after June 30, 2004. Therefore, the following funds had expenditures plus outstanding encumbrances that exceeded appropriations as of June 30, 2004:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<i>Bond Retirement Fund</i>	\$3,100,485	\$3,101,535	\$1,050
<u><i>Nonmajor Special Revenue Fund:</i></u>			
Management Information System	11,939	13,939	2,000

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the Education Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described earlier is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget and actual (budget basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified accrual GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance.
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$255,631
<i>Adjustments:</i>	
Revenue Accruals	(130,604)
Expenditure Accruals	(883,537)
Encumbrances	368,690
Other Sources (Uses)	187,628
Budget Basis	<u><u>(\$202,192)</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

At fiscal year end, the Education Center had \$3,850 in undeposited cash on hand which is included on the financial statements as part of "Equity in Pooled Cash and Cash Equivalents."

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

Deposits: At fiscal year-end, the carrying amount of the Education Center's deposits was (\$1,061,335), and the bank balance was \$118,826. Of the bank balance, \$100,000 was covered by federal depository insurance (FDIC) and \$18,826 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions' trust department in the Education Center's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Education Center to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The Education Center's investments are categorized below to give an indication of the level of risk assumed by the Education Center at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Education Center or its agent in the Education Center's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the Education Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Education Center's name. The Education Center's investment in STAROhio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
U.S. Government Securities	\$31,522,767	\$31,522,767	\$31,522,767
Repurchase Agreements	11,002,969	11,002,969	11,002,969
STAROhio	0	456,401	456,401
Totals	<u>\$42,525,736</u>	<u>\$42,982,137</u>	<u>\$42,982,137</u>

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB No. 9. A reconciliation between the classifications of cash and investments on the financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$41,924,652	\$0
Cash on Hand	(3,850)	0
<i>Investments:</i>		
U.S. Government Securities	(31,522,767)	31,522,767
Repurchase Agreements	(11,002,969)	11,002,969
STAROhio	(456,401)	456,401
GASB Statement No. 3	<u>(\$1,061,335)</u>	<u>\$42,982,137</u>

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the Education Center. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property is required to be revalued every six years. The last reappraisal was completed for Licking County in tax year 1999 and for Knox County in tax year 2002. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are 25 percent of true value.

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

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

The Education Center receives property taxes from both Licking County and Knox County. The County Auditor from each county periodically advances to the Education Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004 are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 7 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable represents the June 2004 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2004 was \$1,165,309 and is recognized as revenue. Of this total amount, \$776,873 was available to the General Fund and \$338,436 was available to the Bond Retirement Fund.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,678,143,120	87.72%	\$2,801,516,530	88.19%
Public Utility Personal	131,162,400	4.30%	132,174,720	4.16%
Tangible Personal Property	243,819,896	7.98%	243,031,600	7.65%
Total Assessed Value	<u>\$3,053,125,416</u>	<u>100.00%</u>	<u>\$3,176,722,850</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$3.00		\$3.00	

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004 consisted of property taxes, accounts (student fees), interfund, interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Governmental Activities	Business-Type Activities	Total
<i>Nonmajor Special Revenue Funds:</i>			
Post Secondary Vocational Education	\$6,175	\$0	\$6,175
Career Development	19,575	0	19,575
Miscellaneous State Grants	15,094	0	15,094
Adult Basic Education	13,676	0	13,676
Vocational Education	7,704	0	7,704
Title VI	1,155	0	1,155
Drug Free Schools	1,292	0	1,292
Reducing Class Size	1,419	0	1,419
<i>Adult Education Fund:</i>			
Tuition Fees	0	33,165	33,165
Total	<u>\$66,090</u>	<u>\$33,165</u>	<u>\$99,255</u>

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 9 - CAPITAL ASSETS

Capital asset governmental activity for the fiscal year ended June 30, 2004 was as follows:

Asset Category	Restated Balance at July 1, 2003	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2004
Governmental Activities				
<i>Nondepreciable Capital Assets:</i>				
Land	\$242,114	\$0	\$0	\$242,114
Construction in Progress	1,118,105	4,249,342	0	5,367,447
Total Nondepreciable Capital Assets	1,360,219	4,249,342	0	5,609,561
<i>Depreciable Capital Assets:</i>				
Land Improvements	676,908	0	0	676,908
Buildings and Improvements	7,049,793	29,424	0	7,079,217
Furniture, Fixtures and Equipment	2,842,153	725,597	0	3,567,750
Vehicles	524,000	51,152	0	575,152
Total Depreciable Capital Assets	11,092,854	806,173	0	11,899,027
Total Capital Assets	12,453,073	5,055,515	0	17,508,588
<i>Accumulated Depreciation:</i>				
Land Improvements	(582,312)	(38,541)	0	(620,853)
Buildings and Improvements	(4,133,176)	(214,637)	0	(4,347,813)
Furniture, Fixtures and Equipment	(1,936,485)	(270,806)	0	(2,207,291)
Vehicles	(385,792)	(24,685)	0	(410,477)
Total Accumulated Depreciation	(7,037,765)	(548,669)	0	(7,586,434)
Governmental Activities Capital Assets, Net	<u>\$5,415,308</u>	<u>\$4,506,846</u>	<u>\$0</u>	<u>\$9,922,154</u>

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

Governmental Activities	
<i>Instruction:</i>	
Regular	\$72,030
Special	641
Vocational	287,889
Adult/Continuing	5,920
<i>Support Services:</i>	
Pupils	64,776
Instructional Staff	33,115
Administration	17,602
Fiscal	7,690
Business	8,892
Operation and Maintenance of Plant	16,528
Pupil Transportation	21,488
Central	10,008
Operation of Non-Instructional Services	2,090
	<hr/>
Governmental Activities Depreciation Expense	<u><u>\$548,669</u></u>

Capital asset business-type activity for the fiscal year ended June 30, 2004 was as follows:

Asset Category	Restated Balance at July 1, 2003	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2004
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Business-Type Activities				
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	\$849,807	\$0	\$0	\$849,807
Furniture, Fixtures and Equipment	370,917	0	0	370,917
Total Depreciable Capital Assets	1,220,724	0	0	1,220,724
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(580,701)	(28,326)	0	(609,027)
Furniture, Fixtures and Equipment	(184,485)	(47,437)	0	(231,922)
Total Accumulated Depreciation	(765,186)	(75,763)	0	(840,949)
Business-Type Activities Capital Assets, Net	<u><u>\$455,538</u></u>	<u><u>(\$75,763)</u></u>	<u><u>\$0</u></u>	<u><u>\$379,775</u></u>

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 10 - RISK MANAGEMENT

The Education Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, the Education Center contracted with Harcum-Hyre Insurance for property insurance, fleet insurance and liability insurance. Coverages provided are as follows:

Building and Contents - replacement cost (90% co-insurance)	\$19,689,635
Automobile Liability (\$1,000 deductible for collision and comprehensive)	1,000,000
Uninsured Motorists (\$500 deductible for collision and comprehensive) Each Accident	50,000
<i>General Liability:</i>	
Per Occurrence	2,000,000
Aggregate Limit	2,000,000

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

For fiscal year 2004, the Education Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 20). The intent of the Plan is to achieve the benefit of a reduced premium for the Education Center by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The Education Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the Education Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Education Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09 percent of the annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Education Center's contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$264,135, \$212,387, and \$111,356, respectively; 53.04 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$124,040 representing the unpaid contribution for fiscal year 2004, is recorded as a liability.

State Teachers Retirement System

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

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

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary. The Education Center is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Education Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$691,506, \$657,455, and \$437,304, respectively; 85.31 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$101,563 representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2004 were \$19,140 made by the Education Center and \$19,096 made by the plan members.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, no members of the Board of Education have elected Social Security.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the Education Center, this amount equaled \$53,193 during fiscal year 2004.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003 (the latest information year available), the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and there were 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivorship benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$24,500. The surcharge added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. For fiscal year ended June 30, 2004, expenses for health care were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. The number of participants currently receiving health care benefits is approximately 62,000. For the Education Center, the amount to fund health care benefits, including the surcharge, equaled \$142,673 during the 2004 fiscal year.

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 56.25 days for all employees. The Education Center also credits one day for every year of experience, beyond ten years, with the Education Center.

Insurance Benefits

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

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 14 - LONG-TERM LIABILITIES

The changes in the Education Center's long-term liabilities during fiscal year 2004 were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2003	Additions	Deletions	Principal Outstanding at June 30, 2004	Amount Due in One Year
Governmental Activities:							
Energy Conservation Note	1999	5.24%	\$834,525	\$0	\$101,750	\$732,775	\$107,082
General Obligation Bonds	2002	2.00 - 5.375%	35,000,000	0	1,515,000	33,485,000	1,515,000
Construction Loan	2004	0.00%	0	500,000	0	500,000	33,333
<i>Add Deferred Amounts:</i>				0			
Issuance Premium on Bonds	N/A	N/A	711,194		33,866	677,328	0
Compensated Absences	N/A	N/A	856,802	301,015	264,100	893,717	125,505
Total Governmental Activities Long-Term Liabilities			<u>\$37,402,521</u>	<u>\$801,015</u>	<u>\$1,914,716</u>	<u>\$36,288,820</u>	<u>\$1,780,920</u>

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

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

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

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 15 - LONG-TERM LIABILITIES - (Continued)

	Principal Outstanding at July 1, 2003	Additions	Deletions	Principal Outstanding at June 30, 2004	Amount Due in One Year
<u>Business-Type Activities:</u>					
Compensated Absences	\$62,808	\$46,692	\$40,222	\$69,278	\$17,280

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

The Education Center's overall legal debt margin was \$252,420,057, with an unvoted debt margin of \$2,676,723, and an energy conservation debt margin of \$27,857,731 at June 30, 2004.

Principal and interest requirements to retire the energy conservation note, general obligation bonds and construction loan outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30,	Energy Conservation Note	General Obligation Bonds	Construction Loan	Total
2005	\$142,674	\$3,027,161	\$33,333	\$3,203,168
2006	142,527	3,113,618	33,333	3,289,478
2007	142,372	3,321,661	33,334	3,497,367
2008	142,210	3,397,224	33,333	3,572,767
2009	142,038	3,495,349	33,333	3,670,720
2010-2014	141,858	10,072,304	166,667	10,380,829
2015-2019	0	11,663,140	166,667	11,829,807
2020-2024	0	13,649,125	0	13,649,125
Total Debt Payments	853,679	51,739,582	500,000	53,093,261
Less: Interest	120,904	18,254,582	0	18,375,486
Total Principal	<u>\$732,775</u>	<u>\$33,485,000</u>	<u>\$500,000</u>	<u>\$34,717,775</u>

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2004, the Education Center had interfund transactions as follows:

Transfers From	Transfers To		Total
	Bond Retirement	Nonmajor Special Revenue Funds	
General	\$160,242	\$106,255	\$266,497
Totals	\$160,242	\$106,255	\$266,497

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

During fiscal year ended 2004, the Education Center made significant transfers from the General Fund of \$160,242 and \$60,843, respectively, to the Bond Retirement Fund to make debt payments and Cafeteria Nonmajor Special Revenue Fund to subsidize cafeteria operations.

NOTE 17 - STATUTORY SET-ASIDES

The following changes occurred in the Education Center's set-aside reserve accounts during fiscal year 2004:

	Textbooks	Capital Improvements	Totals
Set-Aside Reserve Balance as of July 1, 2003	\$0	\$0	\$0
Current Year Set-Aside Requirement	98,150	98,150	196,300
Qualifying Disbursements	(244,960)	(3,545,921)	(3,790,881)
Totals	(146,810)	(3,447,771)	(3,594,581)
Set-Aside Balance Carried Forward to Future Fiscal Years	(\$146,810)	(\$3,447,771)	(3,594,581)
Set-Aside Reserve Balance as of June 30, 2004	\$0	\$0	\$0

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

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 18 - CONTRACTUAL COMMITMENTS

As of June 30, 2004, the Education Center had contractual commitments related to the construction of new facilities. The amount for each contractor is as follows:

<u>Contractor</u>	<u>Purchase Commitments</u>	<u>Amounts Paid as of June 30, 2004</u>	<u>Amounts Remaining on Contracts</u>
Kimble Architects	\$3,872,935	\$2,476,996	\$1,395,939
Clagget and Sons, Inc.	19,728,000	1,302,332	18,425,668
General Temperature Control, Inc.	2,197,375	279,613	1,917,762
Gutridge Plumbing, Inc.	4,448,030	48,000	4,400,030
Claypool Electric, Inc.	4,276,000	281,980	3,994,020
Total	<u>\$34,522,340</u>	<u>\$4,388,921</u>	<u>\$30,133,419</u>

NOTE 19 - JOINTLY GOVERNED ORGANIZATION

Licking Area Computer Association (LACA)

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

The Career and Technology Education Centers of Licking County is the fiscal agent for LACA. Financial statements for LACA can be obtained from Career and Technology Education Centers of Licking County administrative offices at 150 Price Road, Newark, Ohio 43055. The Education Center made payments of \$55,903 to LACA in fiscal year 2004.

CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 20 - INSURANCE PURCHASING POOL

Ohio School Boards Association Worker's Compensation Group Rating Plan

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

NOTE 21 - CONTINGENCIES

Grants

The Education Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Education Center at June 30, 2004.

NOTE 22 - SCHOOL FUNDING

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

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

CAREER AND TECHNOLOGY EDUCATION CENTERS

LICKING COUNTY

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Adult Education- State Grant Program	AB-S1-2003	84.002	\$ 125,240	\$ 15,119
	AB-S1-2004		99,401	182,859
	A5-2003		4,500	15,000
	A5-2004		8,400	27,380
	AB-S2-2002		-	6,247
	AB-S2-2003		-	13,906
	AB-S2-2004		15,362	5,759
Total Adult Education- State Grant Program			252,903	266,270
Vocational Education- Basic Grants to States	C2-2003	84.048	47,721	8,927
	A0-2003		1,500	-
	20-C1-2002		-	166
	A5-2003		49,391	22,942
	C1-2004		318,321	280,555
	C2-2004		56,406	63,919
Total Vocational Education- Basic Grants to States			473,339	376,509
Drug-Free Schools Grant	DR-S1-2003	84.186	1,269	-
	DR-S1-2004		287	1,576
Total Drug-Free Schools Grant			1,556	1,576
Vocational Education Occupational and Employment Information State Grants	E00-2003	84.346	300	1,350
Improving Teacher Quality State Grants	TR-S1-2003	84.367	3,105	-
	TR-S1-2004		830	639
Total Improving Teacher Quality State Grants			3,935	639
<i>Direct from Federal Grantor</i>				
Federal Pell Grant Program	N/A	84.063	59,776	60,374
Total U.S. Department of Education			791,809	706,718
Totals			\$ 791,809	\$ 706,718

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

**CAREER AND TECHNOLOGIES EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -- MATCHING REQUIREMENTS

Certain Federal programs require that the Center contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Center has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Career and Technology Education Centers (the Center) as of and for the year ended June 30, 2004, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 31, 2005. 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 Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud that would be material in relation to the financial statements we audited may occur and not be detected timely by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the Center's management dated March 31, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Center's management dated March 31, 2005, we reported a matter related to noncompliance we deemed immaterial.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

March 31, 2005



Auditor of State Betty Montgomery

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

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

Compliance

We have audited the compliance of the Career and Technology Education Centers, Licking County, Ohio, (the Center) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal program. The Center's management is responsible for complying with the requirement of laws, regulations, contracts and grants applicable to its major federal program. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Center's compliance with those requirements.

In our opinion, the Center complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

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

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected timely by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we have reported to the Center's management in a separate letter dated March 31, 2005.

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

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

Betty Montgomery
Auditor of State

March 31, 2005

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.002 – Adult Education – State Grant Program
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Rev. Code Section 5705.36 – Not certifying all resources by the required time	Yes	N/A
2003-002	Ohio Rev. Code Section 5705.10 - Maintaining negative fund balances at June 30, 2003	Yes	N/A
2003-003	Ohio Rev. Code Section 5705.41(B) – Expenditures plus outstanding encumbrances exceeded appropriations	No	Partially Corrected, reported in the Management Letter for fiscal year 2004.
2003-004	Ohio Rev. Code Section 5705.39 – Timely filing of the certificate of estimated resources	Yes	N/A



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
MAY 17, 2005**