



**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, 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, 2006, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2006, and the respective changes in financial position and where applicable, cash flows, 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 April 13, 2007, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

April 13, 2007

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

The discussion and analysis of the Career and Technology Education Centers of Licking County's (C-TEC's) financial performance provides an overview and analysis of C-TEC's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at C-TEC's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of C-TEC's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the 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, 2006 by \$15,350,742. This balance was comprised of an \$4,937,120 balance in capital assets, net of related debt, \$3,462,987 of net asset amounts restricted for specific purposes, and \$6,950,635 in unrestricted net assets.
- In total, net assets of governmental activities decreased by \$2,377, which represents a .02 percent decrease from 2005. Net assets of the business-type activities decreased \$24,184, which represents a 5.56 percent decrease from 2005.
- General revenues accounted for \$13,013,442 or 82.82 percent of all revenues of governmental activities. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,699,833 or 17.18 percent of total revenues of \$15,713,275 for the governmental activities.
- C-TEC had \$15,715,652 in expenses related to governmental activities; only \$2,699,833 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 \$13,013,442 and net assets from the prior year were used to provide for the remainder of these programs.
- C-TEC had \$1,767,546 in expenses related to business-type activities; \$1,651,755 of these expenses were offset by program specific charges for services and sales, grants or contributions.
- C-TEC recognizes four major governmental funds: the General, Bond Retirement, Permanent Improvement and Building Funds. The General Fund had \$10,836,734 in revenues and \$11,974,755 in expenditures in fiscal year 2006.
- C-TEC 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 C-TEC combined. The Adult Education Fund had \$1,678,040 in revenues and \$1,689,607 in expenses in fiscal year 2006.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)**

Using this Annual Report

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

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

Reporting C-TEC as a Whole

Government-Wide Financial Statements

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

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

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

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

Governmental Activities

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)**

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. C-TEC rotary and adult education operations are reported as business-type activities.

Reporting C-TEC's Most Significant Funds

Fund Financial Statements

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

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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(Continued)**

Fiduciary Funds

C-TEC's fiduciary funds are the private purpose trust and agency funds. We exclude these activities from C-TEC's other financial statements because C-TEC cannot use these assets to finance its operations. Private purpose trust funds are held in 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.

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of C-TEC as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of C-TEC's net assets for 2006 compared to fiscal year 2005:

Table 1
Net Assets

	Governmental Activities		Business Type Activity		Total	
	2006	2005	2006	2005	2006	2005
<u>Assets:</u>						
Current and Other Assets	\$21,623,191	\$34,246,850	\$377,860	\$296,630	\$22,001,053	34,543,480
Capital Assets, Net	39,247,610	25,843,476	212,832	240,252	39,460,442	26,083,728
<i>Total Assets</i>	<u>60,870,801</u>	<u>60,090,326</u>	<u>586,694</u>	<u>536,882</u>	<u>61,461,491</u>	<u>60,627,208</u>
<u>Liabilities:</u>						
Long-Term Liabilities	32,655,843	34,400,401	68,858	59,973	32,724,701	34,460,374
Other Liabilities	13,275,067	10,747,657	106,905	41,874	13,381,972	10,789,531
<i>Total Liabilities</i>	<u>45,930,910</u>	<u>45,148,058</u>	<u>133,110</u>	<u>101,847</u>	<u>46,106,675</u>	<u>45,249,905</u>
<u>Net Assets:</u>						
Invested in Capital Assets						
Net of Related Debt	4,724,288	1,591,687	212,832	240,252	4,937,120	1,831,939
Restricted	3,462,987	4,936,889	0	0	3,462,987	4,936,889
Unrestricted	6,752,616	8,413,692	198,019	194,783	6,950,635	8,608,475
<i>Total Net Assets</i>	<u>\$14,939,891</u>	<u>\$14,942,268</u>	<u>\$410,851</u>	<u>\$435,035</u>	<u>\$15,350,742</u>	<u>\$15,377,303</u>

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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(Continued)**

Current and other assets decreased \$12,542,427 from fiscal year 2005 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 \$13,376,714 as a result of an addition to the construction in progress (CIP) for the new facilities project and capitalization of a portion of the new facilities that was previously in CIP.

Current (other) liabilities increased \$2,592,441 due to an increase in accrued wages and deferred revenue.

Long-term liabilities decreased \$1,735,673 due to scheduled payments made on C-TEC's debt outstanding.

The net assets of C-TEC business-type activities decreased \$24,184 or 5.56 percent.

For governmental activities, \$4,724,288 of C-TEC's net assets is related to amounts invested in capital assets, net of related debt. C-TEC used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although C-TEC's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The smallest portion of net assets for governmental activities of \$3,462,987 is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

The largest portion of net assets for governmental activities is \$6,752,616, and represents resources that may be used to meet C-TEC's ongoing obligations to its students and creditors.

Table 2 shows the changes in net assets for fiscal year 2006 and provides a comparison to fiscal year 2005.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)
(Continued)**

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<u>Revenues:</u>						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$289,166	\$385,606	\$1,337,686	\$875,322	\$1,626,852	\$1,260,928
Operating Grants and Contributions	2,410,667	2,215,301	381,490	353,717	2,792,157	2,569,018
<i>General Revenues:</i>						
Property Taxes	9,237,300	8,602,868	0	0	9,237,300	8,602,868
Unrestricted Grants and Entitlements	3,312,834	3,257,690	0	0	3,312,834	3,257,690
Investments Earnings	429,505	703,372	0	0	429,505	703,372
Miscellaneous	33,803	46,403	24,186	24,252	57,989	70,655
Total Revenues	15,713,275	15,211,240	1,743,362	1,253,291	17,456,637	16,464,531
<u>Expenses:</u>						
<i>Program Expenses:</i>						
<i>Instruction:</i>						
Regular	1,365,272	1,085,617	0	0	1,365,272	1,085,617
Special	459,287	33,632	0	0	459,287	33,632
Vocational	5,823,718	4,366,842	0	0	5,823,718	4,366,842
Adult/Continuing	249,488	323,532	0	0	249,488	323,532

(Continued)

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)
(Continued)**

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<i>Support Services:</i>						
Pupils	525,847	1,117,992	0	0	525,847	1,117,992
Instructional Staff	1,357,800	1,063,464	0	0	1,357,800	1,063,464
Board of Education	20,550	21,431	0	0	20,550	21,431
Administration	832,615	750,798	0	0	832,615	750,798
Fiscal	318,733	478,928	0	0	318,733	478,928
Business	576,453	456,632	0	0	576,453	456,632
Operation and Maintenance of Plant	1,555,953	1,227,964	0	0	1,555,953	1,227,964
Pupil Transportation	28,719	20,042	0	0	28,719	20,042
Central	792,731	560,777	0	0	792,731	560,777
<i>Operation of Non-Instructional Services:</i>						
Food Services	221,576	238,713	0	0	221,576	238,713
Other	47,122	0	0	0	47,122	0
Extracurricular Activities	109,029	99,899	0	0	109,029	99,899
Interest and Fiscal Charges	1,462,081	1,502,288	0	0	1,462,081	1,502,288
Rotary	0	0	77,939	78,894	77,939	78,894
Adult Education	0	0	1,689,607	1,334,973	1,689,607	1,334,973
Total Expenses	15,715,652	13,348,551	1,767,546	1,413,867	17,483,198	14,762,418
Changes in Nets Assets	(2,377)	1,862,689	(24,184)	(160,576)	(26,561)	1,702,113
Net Assets at Beginning of Year	14,942,268	13,079,579	435,035	595,611	15,377,303	13,675,190
Net Assets at End of Year	\$14,939,891	\$14,942,268	\$410,851	\$435,035	\$15,350,742	\$15,377,303

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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(Continued)**

The most significant program expenses for C-TEC are Vocational Instruction, Operation and Maintenance of Plant Interest and Fiscal Charges, Instructional Staff and Regular Instruction. These programs account for 73.39 percent of the total governmental activities. Vocational Instruction, which accounts for 37.06 percent of the total, represents costs associated with providing instructional activities designed to prepare students to enter into the workforce with education in a trade or technical skills. Operation and Maintenance of Plant, which accounts for 9.90 percent of the total, represents costs associated with operating and maintaining C-TEC's facilities. Interest and Fiscal Charges, which accounts for 9.30 percent of the total, represents costs associated with the repayment of C-TEC's debt. Instructional Staff, which accounts for 8.64 percent of the total, represents costs associated with assisting the teaching staff with the content and process of educating students. Regular Instruction, which accounts for 8.49 percent of the total, represents costs associated with providing general educational services.

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 79.87 percent of total revenues for governmental activities.

As noted previously, the net assets for governmental activities decreased \$2,377 or .02 percent. This is a decrease from last year when net assets increased \$1,862,689 or 14.24 percent. Total revenues for governmental activities increased \$502,034 or 3.30 percent over the last year and expenses increased \$2,367,101 or 17.73 percent over last year.

C-TEC had program revenue increases for governmental activities of \$98,926, as well as an increase in general revenues of \$403,109. The increase in program revenues is mostly due to an increase in operating grants reported as program revenue. There was one significant increase in general revenues. Property taxes increased \$634,432 or 7.37 percent due to the addition of a bond retirement levy in 2004.

The total expenses for governmental activities increased as a result of a significant increase in vocational instruction. The increase in vocational instruction services is the result of C-TEC's increase in revenues available to spend and increase in payables for 2006.

The most significant program expenses for C-TEC's business-type activities is Adult Education. This program, which accounts for 95.30 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, C-TEC's program revenue increased \$422,650 or 33.72 percent and expenses increased \$243,525 or 17.22 percent. These increases are mostly due to increased activity in the adult education programs.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)
(Continued)**

Governmental Activities

Over the past several fiscal years, C-TEC has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. C-TEC is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 58.79 percent and intergovernmental revenue made up 36.42 percent of the total revenue for the governmental activities in fiscal year 2006.

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

C-TEC's 1.0 mill Debt Service Levy is an important piece of the financial picture. The levy is set to receive approximately \$3,000,000 and is to be used to fund the debt payments for the general obligation bonds issued to construct new facilities. The levy was first passed by District voters in 2002 and collection began in 2004.

C-TEC's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2006, C-TEC received \$4,131,890 through the State's foundation program, which represents 26.30 percent of the total revenue for the governmental activities. C-TEC relies on this state funding to operate at the current levels of service.

Instruction accounts for 50.05 percent of governmental activities program expenses. Support services expenses make up 38.23 percent of governmental activities 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 \$1,719,176 and expenses of \$1,767,546 for fiscal year 2006. Over 70 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 2006 compared with fiscal year 2005. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 3
Net Cost of Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
<i>Program Expenses:</i>				
<i>Governmental Activities:</i>				
Instruction	\$7,866,443	\$5,861,720	\$5,809,623	\$3,980,333
Support Services	6,009,401	5,504,505	5,698,028	5,156,466
Operation of Non-Instructional Services	268,698	110,078	238,713	70,992
Extracurricular Activities	109,029	77,426	99,899	37,565
Interest and Fiscal Charges	1,462,081	1,462,081	1,502,288	1,502,288
<i>Business-Type Activities:</i>				
Rotary	77,939	12,617	78,894	10,184
Adult Education	1,689,607	(35,753)	1,334,973	174,644
Total Expenses	\$17,415,777	\$13,064,189	\$14,762,418	\$10,932,472

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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C-TEC's Funds

C-TEC's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies and procedures). All governmental funds had total revenues and other financing sources of \$16,002,256 and expenditures and other financing uses of \$30,991,856.

Total governmental funds fund balance decreased by \$14,989,600. The decrease in fund balance for the year was most significant in the Building Fund, a decrease of \$13,837,216 reflecting increased expenditures for construction costs.

C-TEC should remain stable in fiscal years 2007 through 2009. Projections beyond fiscal year 2009 show C-TEC should be able 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

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

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

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

For the General Fund, the final budget basis revenues available from all sources was \$11,377,058 representing no change from the original budget basis estimates. For the General Fund, the final budget basis expenditures were \$16,038,867 representing a \$95,887 increase from the original budget expenditures of \$15,942,980. The final budget reflected a 0.60 percent increase from the original budgeted amount. The final budget expenditures exceeded the actual expenditures by \$4,044,613 which is the result of construction costs paid for the year were less than expected.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, C-TEC had \$46 million invested in capital assets in the governmental activities and \$0.9 million in the business-type activities. These totals carry accumulated depreciation of \$6.8 million and \$0.7 million, respectively. Table 4 shows fiscal year 2006 balances compared to fiscal year 2005.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)
(Continued)**

Table 4
Capital Assets & Accumulated Depreciation at Year End

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
<i>Nondepreciable Assets:</i>				
Land	\$242,114	\$242,114	\$0	\$0
Construction in Progress	4,544,042	22,510,138	0	0
<i>Depreciable Assets:</i>				
Land Improvements	439,181	511,191	0	0
Buildings and Improvements	37,242,307	7,040,734	849,807	849,807
Furniture, Fixtures and Equipment	3,526,538	1,991,758	70,313	64,588
Vehicles	96,775	23,725	0	0
<i>Total Capital Assets</i>	46,090,957	32,319,660	920,120	914,395
<i>Accumulated Depreciation:</i>				
Land Improvements	(672,530)	(671,766)	0	0
Buildings and Improvements	(5,045,987)	(4,742,299)	(665,679)	(637,353)
Furniture, Fixtures and Equipment	(1,119,271)	(1,060,537)	(41,609)	(36,790)
Vehicles	(10,559)	(1,582)	0	0
<i>Total Accumulated Depreciation</i>	(6,848,347)	(6,476,184)	(707,288)	(674,143)
Capital Assets, Net	\$39,247,610	\$25,843,476	\$212,832	\$240,252

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)
(Continued)**

Debt Administration

At June 30, 2006, C-TEC had \$31,281,333 in general obligation debt outstanding with \$2,036,931 due within one year. Table 5 summarizes bonds and notes outstanding for fiscal year 2006 compared to fiscal year 2005.

Table 5
Outstanding Debt, Governmental Activities at Year End

Purpose	2006	2005
Energy Conservation Note	\$513,000	\$625,693
General Obligation Bonds	30,335,000	31,970,000
Construction Loan	433,333	466,667
Total	<u>\$31,281,333</u>	<u>\$33,062,360</u>

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

Current Issues

The vision of the C-TEC is to be the area's premier workforce provider by developing skilled workers and community-minded citizens who engage in continuous learning.

The mission of the C-TEC is to promote workforce development by offering leading-edge educational programs that provide all learners with academic and technical skills needed for career opportunities and continuous learning.

C-TEC built a 350,000 square foot facility. This facility is able to accommodate over 800 high school students which will be a 300 student population growth. It also allows for more adult education students to be served through additional facilities.

C-TEC is also currently expanding the Career Technical Education Offerings throughout Licking County. C-TEC has been expanding and offering more Career Course Programs off campus at our Associate School locations. These programs are conducted by C-TEC at those locations.

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)
(Continued)**

C-TEC has achieved a large measure of financial stability and forecasts a positive cash balance throughout the five years of the required forecasting period. As indicated in the preceding financial information, C-TEC is dependent upon property taxes and state funding. State funding does not increase solely with inflation. Therefore, administrators and staff are cognizant of the vulnerability of this stability and the Board of Education and administration continue to closely monitor both revenue and expenses.

Contacting C-TEC's Financial Management

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$11,415,438	\$194,760	\$11,610,198
Property Taxes Receivable	9,922,362	0	9,922,362
Accounts Receivable	0	178,363	178,363
Intergovernmental Receivable	106,420	116,244	222,664
Accrued Interest Receivable	35,277	0	35,277
Internal Balance	115,505	(115,505)	0
Prepaid Items	28,189	0	28,189
Nondepreciable Capital Assets	4,786,156	0	4,786,156
Depreciable Capital Assets, net	34,461,454	212,832	34,674,286
<i>Total Assets</i>	<u>60,870,801</u>	<u>586,694</u>	<u>61,457,495</u>
<u>Liabilities:</u>			
Accounts Payable	345,277	5,739	351,016
Accrued Wages and Benefits	828,582	69,225	897,807
Contracts Payable	2,554,944	0	2,554,944
Intergovernmental Payable	248,773	32,021	280,794
Accrued Interest Payable	225,448	0	225,448
Deferred Revenue	8,708,047	0	8,708,047
Retainage Payable	363,996	0	363,996
<i>Long-Term Liabilities:</i>			
Due within One Year	2,209,674	32,037	2,241,711
Due in More Than One Year	30,446,169	36,821	30,482,990
<i>Total Liabilities</i>	<u>45,930,910</u>	<u>175,843</u>	<u>46,106,753</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	4,724,288	212,832	4,937,120
<i>Restricted for:</i>			
Debt Service	513,810	0	513,810
Capital Outlay	2,893,055	0	2,893,055
Other Purposes	56,122	0	56,122
Unrestricted	6,752,616	198,019	6,950,635
<i>Total Net Assets</i>	<u>\$14,939,891</u>	<u>\$410,851</u>	<u>\$15,350,742</u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
<u>Governmental Activities:</u>			
<i>Instruction:</i>			
Regular	\$1,333,950	\$0	\$60,975
Special	459,287	0	211,112
Vocational	5,823,718	86,488	1,418,113
Adult/Continuing	249,488	7,767	220,259
<i>Support Services:</i>			
Pupils	525,847	4,688	60,304
Instructional Staff	1,357,800	0	344,379
Board of Education	20,550	0	0
Administration	832,615	0	500
Fiscal	318,733	0	5,000
Business	576,453	0	0
Operation and Maintenance of Plant	1,555,953	0	0
Pupil Transportation	28,719	0	0
Central	792,731	0	90,025
<i>Operation of Non-Instructional Services:</i>			
Food Services	221,576	158,620	0
Other	47,122	0	0
Extracurricular Activities	109,029	31,603	0
Interest and Fiscal Charges	1,462,081	0	0
<i>Total Governmental Activities</i>	<u>15,715,652</u>	<u>289,166</u>	<u>2,410,667</u>
<u>Business-Type Activities:</u>			
Rotary	77,939	65,322	0
Adult Education	1,689,607	1,272,364	381,490
<i>Total Business-Type Activities</i>	<u>1,767,546</u>	<u>1,337,686</u>	<u>381,490</u>
<i>Totals</i>	<u>\$17,483,198</u>	<u>\$1,626,852</u>	<u>\$2,792,157</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

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
\$ (1,272,975)	\$0	(\$1,272,975)
(248,175)	0	(248,175)
(4,319,117)	0	(4,319,117)
(21,462)	0	(21,462)
-		
(460,855)	0	(460,855)
(1,013,421)	0	(1,013,421)
(20,550)	0	(20,550)
(832,115)	0	(832,115)
(313,733)	0	(313,733)
(576,453)	0	(576,453)
(1,555,953)	0	(1,555,953)
(28,719)	0	(28,719)
(702,706)	0	(702,706)
-		
(62,956)	0	(62,956)
(47,122)	0	(47,122)
(77,426)	0	(77,426)
(1,462,081)	0	(1,462,081)
<u>(13,015,819)</u>	<u>0</u>	<u>(13,015,819)</u>
	(12,617)	(12,617)
	<u>(35,753)</u>	<u>(35,753)</u>
0	<u>(48,370)</u>	<u>(48,370)</u>
<u>(\$13,015,819)</u>	<u>(48,370)</u>	<u>(13,064,189)</u>
6,158,037	0	6,158,037
3,079,263	0	3,079,263
3,312,834	0	3,312,834
429,505	0	429,505
33,803	24,186	57,989
<u>13,013,442</u>	<u>24,186</u>	<u>13,037,628</u>
(2,377)	(24,184)	(26,561)
<u>14,942,268</u>	<u>435,035</u>	<u>15,377,303</u>
<u>\$14,939,891</u>	<u>\$410,851</u>	<u>\$15,350,742</u>

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General	Bond Retirement	Permanent Improvement	Building	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>						
Equity in Pooled Cash and Cash Equivalents	\$4,308,425	\$940,416	\$2,178,259	\$3,893,917	\$94,421	\$11,415,438
Property Taxes Receivable	6,614,908	3,307,454	0	0	0	9,922,362
Intergovernmental Receivable	0	0	0	0	106,420	106,420
Accrued Interest Receivable	0	0	0	35,277	0	35,277
Interfund Receivable	214,355	0	0	0	0	214,355
Prepaid Items	598	0	0	27,591	0	28,189
Total Assets	\$11,138,286	\$4,247,870	\$2,178,259	\$3,956,785	\$200,841	\$21,722,041
<u>Liabilities and Fund Balances:</u>						
<u>Liabilities:</u>						
Accounts Payable	\$15,943	\$0	\$0	\$323,049	\$6,285	\$345,277
Accrued Wages and Benefits	823,084	0	0	0	5,498	828,582
Contracts Payable	0	0	0	2,554,944	0	2,554,944
Intergovernmental Payable	243,423	0	0	0	5,350	248,773
Retainage Payable	0	0	0	363,996	0	363,996
Interfund Payable	0	0	0	0	98,850	98,850
Deferred Revenue	6,094,008	3,047,004	0	0	96,520	9,237,532
Total Liabilities	7,176,458	3,047,004	0	3,241,989	212,503	13,677,954
<u>Fund Balances:</u>						
Reserved for Encumbrances	529,377	0	2,058,713	714,796	43,352	3,346,238
Reserved for Property Taxes	520,900	260,450	0	0	0	781,350
<i>Unreserved, Undesignated, Reported in:</i>						
General Fund	2,911,551	0	0	0	0	2,911,551
Special Revenue Funds	0	0	0	0	(55,014)	(55,014)
Debt Service Fund	0	940,416	0	0	0	940,416
Capital Projects Funds	0	0	119,546	0	0	119,546
Total Fund Balances	3,961,828	1,200,866	2,178,259	714,796	(11,662)	8,044,087
Total Liabilities and Fund Balances	\$11,138,286	\$4,247,870	\$2,178,259	\$3,956,785	\$200,841	\$21,722,041

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006**

Total Governmental Funds Balances		\$8,044,087
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		39,247,610
Some of C-TEC's receivables will be collected after fiscal year-end. However, they are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:		
Property taxes	443,965	
Intergovernmental	<u>85,520</u>	
Total receivables that are deferred in the funds		529,485
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Energy conservation note	(513,000)	
General obligation bonds	(30,335,000)	
Construction loan	(433,334)	
Premium on bonds issued	(609,596)	
Accrued interest on notes and bonds	(225,448)	
Compensated absences	<u>(764,913)</u>	
Total liabilities that are not reported in the funds		<u>(32,881,291)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$14,939,891</u></u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	General	Bond Retirement	Permanent Improvement	Building	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Property Taxes	\$6,160,016	\$3,080,253	\$0	\$0	\$0	\$9,240,269
Intergovernmental	4,496,304	354,927	0	0	1,023,625	5,874,856
Interest	130,738	0	65,458	233,309	0	429,505
Tuition and Fees	15,873	0	0	0	79,577	95,450
Rent	0	0	0	0	3,493	3,493
Extracurricular Activities	0	0	0	0	31,603	31,603
Gifts and Donations	2,760	0	0	0	19,650	22,410
Charges for Services	0	0	0	0	158,620	158,620
Miscellaneous	31,043	0	0	0	0	31,043
Total Revenues	10,836,734	3,435,180	65,458	233,309	1,316,568	15,887,249
<u>Expenditures:</u>						
<i>Current:</i>						
<i>Instruction:</i>						
Regular	1,264,573	0	0	0	57,786	1,322,359
Special	443,662	0	0	0	15,625	459,287
Vocational	4,691,345	0	0	0	132,934	4,824,279
Adult/Continuing	28,508	0	0	323,049	219,346	570,903
<i>Support Services:</i>						
Pupils	464,687	0	0	0	56,635	521,322
Instructional Staff	993,534	0	0	0	352,487	1,346,021
Board of Education	20,550	0	0	0	0	20,550
Administration	819,341	278	0	0	7,554	827,173
Fiscal	309,203	1,218	0	0	5,000	315,421
Business	492,795	51,810	0	0	193	544,798
Operation and Maintenance of Plant	1,595,114	0	0	39,185	0	1,634,299
Pupil Transportation	22,114	0	0	0	0	22,114
Central	563,383	0	0	247,708	88,335	899,426
Operation of Non-Instructional Services	22,260	0	0	0	245,788	268,048
Extracurricular Activities	67,354	0	0	0	41,675	109,029
Capital Outlay	472	0	441,287	13,460,583	0	13,902,342
<i>Debt Service:</i>						
Principal Retirement	146,026	1,635,000	0	0	0	1,781,026
Interest and Fiscal Charges	29,834	1,478,618	0	0	0	1,508,452
Total Expenditures	11,974,755	3,166,924	441,287	14,070,525	1,223,358	30,876,849
Excess of Revenues Over (Under) Expenditures	(1,138,021)	268,256	(375,829)	(13,837,216)	93,210	(14,989,600)
<u>Other Financing Sources (Uses):</u>						
Transfers In	0	0	0	0	115,007	115,007
Transfers Out	(115,007)	0	0	0	0	(115,007)
Total Other Financing Sources (Uses)	(115,007)	0	0	0	115,007	0
Net Change in Fund Balances	(1,253,028)	268,256	(375,829)	(13,837,216)	208,217	(14,989,600)
Fund Balances at Beginning of Year	5,214,856	932,610	2,554,088	14,552,012	(219,879)	23,033,687
Fund Balances at End of Year	\$3,961,828	\$1,200,866	\$2,178,259	\$714,796	(\$11,662)	\$8,044,087

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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, 2006**

Net Change in Fund Balances - Total Governmental Funds		(\$14,989,600)
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.		13,404,134
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	(2,969)	
Intergovernmental	<u>(171,005)</u>	
Total revenues not reported in the funds		(173,974)
Repayment of note, bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		1,781,026
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		12,505
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences payable	(70,334)	
Amortization of bond premium	<u>33,866</u>	
Total expenditures not reported in the funds		<u>(36,468)</u>
<i>Change in Net Assets of Governmental Activities</i>		<u><u>(\$2,377)</u></u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$6,461,704	\$6,461,704	\$6,407,494	(\$54,210)
Intergovernmental	4,703,654	4,703,654	4,496,304	(207,350)
Interest	125,000	125,000	147,244	22,244
Tuition and Fees	17,200	17,200	15,873	(1,327)
Charges for Services	24,000	24,000	0	(24,000)
Contributions and Donations	0	0	2,760	2,760
Miscellaneous	45,500	45,500	31,040	(14,460)
Total Revenues	11,377,058	11,377,058	11,100,715	(276,343)
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	104,100	111,970	1,191,764	(1,079,794)
Special	18,000	19,316	383,154	(363,838)
Vocational	15,188,296	15,251,402	4,375,321	10,876,081
Adult/Continuing	767	767	26,456	(25,689)
<i>Support Services:</i>				
Pupils	75,659	78,337	497,310	(418,973)
Instructional Staff	72,265	78,298	996,488	(918,190)
Board of Education	1,036	1,036	22,314	(21,278)
Administration	85,079	95,436	833,323	(737,887)
Fiscal	8,992	8,992	304,683	(295,691)
Business	137,691	139,267	621,146	(481,879)
Operation and Maintenance of Plant	139,879	139,879	1,866,688	(1,726,809)
Pupil Transportation	1,275	1,275	21,418	(20,143)
Central	107,841	110,787	586,508	(475,721)
Operation of Non-Instructional Services	100	100	22,199	(22,099)
Extracurricular Activities	2,000	2,005	67,513	(65,508)
Capital Outlay	0	0	2,109	(2,109)
<i>Debt Service:</i>				
Principal Retirement	0	0	146,026	(146,026)
Interest and Fiscal Charges	0	0	29,834	(29,834)
Total Expenditures	15,942,980	16,038,867	11,994,254	4,044,613
Excess of Revenues Over (Under) Expenditures	(4,565,922)	(4,661,809)	(893,539)	3,768,270
<u>Other Financing Sources (Uses):</u>				
Advances In	373,999	373,999	365,307	(8,692)
Advances Out	0	0	(211,370)	(211,370)
Transfers Out	0	0	(115,007)	(115,007)
Total Other Financing Sources (Uses)	373,999	373,999	38,930	(335,069)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,191,923)	(4,287,810)	(854,609)	3,433,201
Fund Balance at Beginning of Year	4,026,119	4,026,119	4,026,119	0
Prior Year Encumbrances Appropriated	591,596	591,596	591,596	0
Fund Balance at End of Year	\$425,792	\$329,905	\$3,763,106	\$3,433,201

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006**

	Business-Type Activities		
	Adult Education	Other Enterprise Fund	Total Enterprise Funds
<u>Assets:</u>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$47,166	\$147,594	\$194,760
Accounts Receivable	178,363	0	178,363
Intergovernmental Receivable	116,244	0	116,244
<i>Total Current Assets</i>	<u>341,773</u>	<u>147,594</u>	<u>489,367</u>
<i>Noncurrent Assets:</i>			
Depreciable Capital Assets, Net	212,832	0	212,832
<i>Total Assets</i>	<u>554,605</u>	<u>147,594</u>	<u>702,199</u>
<u>Liabilities:</u>			
<i>Current Liabilities:</i>			
Accounts Payable	5,578	161	5,739
Accrued Wages and Benefits	69,225	0	69,225
Intergovernmental Payable	32,021	0	32,021
Interfund Payable	115,505	0	115,505
Compensated Absences Payable	32,037	0	32,037
<i>Total Current Liabilities</i>	<u>254,366</u>	<u>161</u>	<u>254,527</u>
<i>Noncurrent Liabilities:</i>			
Compensated Absences Payable	36,821	0	36,821
<i>Total Liabilities</i>	<u>291,187</u>	<u>161</u>	<u>291,348</u>
<u>Net Assets:</u>			
Invested in Capital Assets	212,832	0	212,832
Unrestricted	50,586	147,433	198,019
<i>Total Net Assets</i>	<u>\$263,418</u>	<u>\$147,433</u>	<u>\$410,851</u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Business-Type Activities		
	Adult Education	Other Enterprise Fund	Total Enterprise Funds
<u>Operating Revenues:</u>			
Tuition	\$1,153,858	\$0	\$1,153,858
Sales	118,506	0	118,506
Charges for Services	0	65,322	65,322
Other Revenues	24,186	0	24,186
<i>Total Operating Revenues</i>	<u>1,296,550</u>	<u>65,322</u>	<u>1,361,872</u>
<u>Operating Expenses:</u>			
Salaries	1,152,062	0	1,152,062
Fringe Benefits	280,556	0	280,556
Purchased Services	89,976	161	90,137
Materials and Supplies	133,716	77,506	211,222
Depreciation	33,145	0	33,145
Other	152	272	424
<i>Total Operating Expenses</i>	<u>1,689,607</u>	<u>77,939</u>	<u>1,767,546</u>
<i>Operating Income (Loss)</i>	<u>(393,057)</u>	<u>(12,617)</u>	<u>(405,674)</u>
<u>Nonoperating Revenues:</u>			
Federal and State Subsidies	381,490	0	381,490
<i>Total Nonoperating Revenues</i>	<u>381,490</u>	<u>0</u>	<u>381,490</u>
<i>Change in Net Assets</i>	(11,567)	(12,617)	(24,184)
<i>Net Assets at Beginning of Year</i>	<u>274,985</u>	<u>160,050</u>	<u>435,035</u>
<i>Net Assets at End of Year</i>	<u><u>\$263,418</u></u>	<u><u>\$147,433</u></u>	<u><u>\$410,851</u></u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	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	\$1,055,854	\$65,322	\$1,121,176
Other Cash Receipts	24,186	0	24,186
Cash Payments to Employees for Services	(1,028,318)	0	(1,028,318)
Cash Payments for Employee Benefits	(269,704)	0	(269,704)
Cash Payments for Goods and Services	(217,032)	(77,506)	(294,538)
Other Cash Payments	(152)	(272)	(424)
<i>Net Cash Used For Operating Activities</i>	<u>(435,166)</u>	<u>(12,456)</u>	<u>(447,622)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	381,490	0	381,490
Advances from Other Funds	115,505	0	115,505
Advances to Other Funds	(47,566)	0	(47,566)
<i>Net Cash from Noncapital Financing Activities</i>	<u>449,429</u>	<u>0</u>	<u>449,429</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Cash Payments for Capital Acquisitions	(5,725)	0	(5,725)
<i>Net Cash from Capital and Related Financing Activities</i>	<u>(5,725)</u>	<u>0</u>	<u>(5,725)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	8,538	(12,456)	(3,918)
<i>Cash and Cash Equivalents at Beginning of Year</i>	38,628	160,050	198,678
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$47,166</u>	<u>\$147,594</u>	<u>\$194,760</u>
<u>Reconciliation of Operating (Loss) to Net Cash Used For Operating Activities:</u>			
Operating Income (Loss)	(\$393,057)	(\$12,617)	(\$405,674)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:</u>			
Depreciation	33,145	0	33,145
<i>(Increase) Decrease in Assets:</i>			
Accounts Receivable	(108,461)	0	(108,461)
Intergovernmental Receivable	(40,628)	0	(40,628)
<i>Increase (Decrease) in Liabilities:</i>			
Accounts Payable	5,517	161	5,678
Accrued Wages and Benefits	56,323	0	56,323
Intergovernmental Payable	3,110	0	3,110
Compensated Absences Payable	8,885	0	8,885
<i>Total Adjustments</i>	<u>(42,109)</u>	<u>161</u>	<u>(41,948)</u>
<i>Net Cash from Operating Activities</i>	<u>(\$435,166)</u>	<u>(\$12,456)</u>	<u>(\$447,622)</u>

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$71,361	\$1,036,441
<u>Liabilities:</u>		
Accounts Payable	\$0	\$11,658
Accrued Wages and Benefits	0	32,144
Compensated Absences Payable	0	22,125
Due to Students	0	52,064
Undistributed Monies	0	918,450
<i>Total Liabilities</i>	0	1,036,441
<u>Net Assets:</u>		
<i>Held in Trust for:</i>		
Scholarships	71,361	0
<i>Total Net Assets</i>	\$71,361	\$0

See accompanying notes to the basic financial statements.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Gifts and Donations	\$10,840
Interest	<u>1,240</u>
<i>Total Additions</i>	12,080
<u>Deductions:</u>	
Payments in Accordance with Trust Agreements	<u>4,127</u>
<i>Change in Net Assets</i>	7,953
<i>Net Assets at Beginning of Year</i>	<u>63,408</u>
<i>Net Assets at End of Year</i>	<u><u>\$71,361</u></u>

See accompanying notes to the basic financial statements.

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**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Career and Technology Education Centers of Licking County (C-TEC) is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

A vocational school exposes students to job training leading to employment upon graduation from high school. C-TEC has ten participating districts spread throughout Licking, Delaware, Fairfield, Franklin, Muskingum and Knox Counties, which include two city school districts, seven local school districts and one exempted village school district.

C-TEC operates under a seven-member Board of Education and is responsible for the provision of public education to residents of C-TEC. The Board of Education of C-TEC is not directly elected. The Board is made up from members of the elected boards of the participating school districts and the Licking County Educational Service Center. C-TEC is staffed by 50 non-certificated employees and 103 certificated full-time teaching personnel who provide services to 692 students and other community members. C-TEC currently operates 4 buildings.

Reporting Entity

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

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

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

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of C-TEC at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of C-TEC's governmental activities 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 C-TEC, 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 C-TEC.

Fund Financial Statements

During the year, C-TEC segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of C-TEC at this more detailed level. The focus of governmental 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

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

Governmental Funds

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

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

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

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.

Permanent Improvement Fund- This fund is used to account for financial resources to be used for the acquisition, construction or improvement of capital facilities.

Building Fund- This fund is used to account for the revenues and expenditures related to all special bond funds in C-TEC, 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 C-TEC account for grants and other resources of C-TEC 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. C-TEC'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 C-TEC'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 C-TEC accounts for transactions made in connection with rotary accounts that are maintained for the vocational education classes.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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 C-TEC under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support C-TEC's own programs.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. C-TEC's fiduciary funds are private purpose trust fund and agency funds. C-TEC's private purpose trust fund is established to account for assets used for college scholarships for students and student fees and tuition at C-TEC. C-TEC's agency funds are used to account for assets held for PELL grants, the Licking Area Computer Association for which C-TEC serves as fiscal agent, and student managed activities.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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 C-TEC 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
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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 C-TEC, available means expected to be received within sixty days of fiscal year-end.

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 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
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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. C-TEC's Treasurer has been authorized by the Board to allocate appropriations to the function and object level within the fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by C-TEC's Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflects the amounts in the final amended certificate issued during fiscal year 2006.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during fiscal year 2006.

F. Cash and Cash Equivalents

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

During the fiscal year 2006, C-TEC's investments were limited to the U.S. government securities and repurchase agreements. Except for repurchase agreements which are reported at cost, investments are reported at fair value which is based on quoted market prices.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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 2006 amounted to \$130,738, which includes \$29,828 assigned from other funds of C-TEC.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, 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. C-TEC's capitalization threshold is five thousand dollars. C-TEC does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Improvements	20 - 100 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	8 years

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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. C-TEC had a \$115,505 internal balance which was due to an advance from the General Fund to the Adult Education Fund.

J. Compensated Absences

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

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

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

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

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 "Matured 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, and special termination of benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, loans and long-term notes are recognized as a liability on the fund financial statements when due.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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 C-TEC or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

M. Fund Balance Reserves

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

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

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For C-TEC, 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
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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 - NEW GASB PRONOUNCEMENTS

For fiscal year 2006, C-TEC implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits." The implementation of GASB Statements No. 46 and 47 had little effect on the disclosure requirements, and there was no effect on the prior period fund balances of C-TEC.

NOTE 4 - ACCOUNTABILITY & COMPLIANCE

A. Accountability

The following funds had deficit fund balances/net assets as of June 30, 2006:

<i>Nonmajor Special Revenue Funds:</i>	
Cafeteria Rotary	(\$8,680)
Post Secondary Vocational Education	(9,050)
Networking Tech Prep FY01	(6,943)
Adult Basic Education	(29,545)
Title VI	(2,565)
Drug-Free School Grant	(599)
Reducing Class Size	(3,436)

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, 2006.

B. Compliance

Ohio Revised Code Section 5705.10 states that money paid into any fund shall be used only for the purposes of which such fund was established. The existence of a deficit in any fund indicates that the money from another fund or funds has been used to pay the obligations of the fund or funds carry the deficit balance.

The Center had several funds during the fiscal year that had negative fund balances indicating that money from one fund was used to cover the expenses of another fund. The following funds had significant negative fund balances in the Center's accounting records at different points throughout the year:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 4 – ACCOUNTABILITY & COMPLIANCE (Continued)

Fund	Balance
Bond Retirement	\$ (158,951)
Uniform School Supplies	(47,693)
Adult Education	(110,816)
District Managed Activity	(9,176)
Management Info. System	(679)
Vocational Education	(28,130)
Adult Basic Education	(6,848)
IDEA B	(21,986)
Misc. Federal Grant	(895)

The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While C-TEC is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described earlier is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget and actual (budget basis) is presented for the General Fund 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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.

Net Change in Fund Balance	
Budget Basis	(\$854,609)
<i>Adjustments:</i>	
Revenue Accruals	(263,981)
Expenditure Accruals	(525,821)
Encumbrances	545,320
Other Sources (Uses)	(153,937)
GAAP Basis	<u><u>(\$1,253,028)</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

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 C-TEC, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

At fiscal year end, C-TEC had \$3,950 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

At June 30, 2006, the carrying amount of C-TEC's deposits was (\$80,355), exclusive of the \$1,355,829 overnight repurchase agreement included as an investment below. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2006, \$17,344 of C-TEC's bank balance of \$117,344 was exposed to custodial risk as discussed above while \$100,000 was covered by Federal Deposit Insurance. The \$17,344 exposed to custodial risk was collateralized with securities held by C-TEC or its agency in C-TEC's name.

Investments: As of June 30, 2006, the C-TEC had the following investments and maturities:

Investment Type	Fair Value	6 Months or Less
U.S. Government Securities	\$11,438,576	\$11,438,576
Repurchase Agreements	1,355,829	1,355,829
Totals	\$12,794,405	\$12,794,405

Repurchase Agreements: Repurchase agreements must be secured by the specific government securities which the repurchase agreements are based. These securities must be obligations of, or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement.

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

Credit Risk: The Federal National Mortgage Corporation Discount Notes and Federal Home Loan Bank Discount Bonds carry a rating of A-1+ by Standard and Poor's. C-TEC has no investment policy that would further limit its investment choices.

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$12,718,000	\$0
Cash on Hand	(3,950)	0
<i>Investments:</i>		
U.S. Government Securities	(11,438,576)	11,438,576
Repurchase Agreements	(1,355,829)	1,355,829
GASB Statement No. 3	(\$80,355)	\$12,794,405

NOTE 7 - PROPERTY TAXES

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

C-TEC receives property taxes from both Licking County and Knox County. The County Auditor from each county periodically advances to C-TEC its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006 are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 7 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable represents the June 2006 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2006. 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, 2006 was \$781,350 is recognized as revenue. Of this total amount, \$520,900 available to the General Fund and \$260,450 was available to the Bond Retirement Fund.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,927,634,650	88.86%	\$3,337,176,560	89.86%
Public Utility Personal	130,935,680	3.97%	128,934,100	3.47%
Tangible Personal Property	236,434,730	7.17%	247,416,018	6.67%
Total Assessed Value	<u>\$3,295,005,060</u>	<u>100.00%</u>	<u>\$3,713,526,678</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$3.00		\$3.00	

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 8 - RECEIVABLES

Receivables at June 30, 2006 consisted of property taxes, accounts (student fees), interfund, interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Governmental Activities
<i>Nonmajor Special Revenue Funds:</i>	
Post Secondary Vocational Education	\$10,584
Adult Basic Education	50,562
Vocational Education	36,698
Title VI	3,164
Reducing Class Size	4,250
ABE/JOBS	1,162
Total	<u>\$106,420</u>

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 9 - CAPITAL ASSETS

Capital asset governmental activity for the fiscal year ended June 30, 2006 was as follows:

Asset Category	Balance at July 1, 2005	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2006
Governmental Activities				
<i>Nondepreciable Capital Assets:</i>				
Land	\$242,114	\$0	\$0	\$242,114
Construction in Progress	22,510,138	13,746,417	(31,712,513)	4,544,042
Total Nondepreciable Capital Assets	22,752,252	13,746,417	(31,712,513)	4,786,156
<i>Depreciable Capital Assets:</i>				
Land Improvements	511,191	62,153	134,163	439,181
Buildings and Improvements	7,040,734	30,201,573	0	37,242,307
Furniture, Fixtures and Equipment	1,991,758	1,644,166	109,386	3,526,538
Vehicles	23,725	73,050	0	96,775
Total Depreciable Capital Assets	9,567,408	31,980,942	243,549	41,304,801
Total Capital Assets	32,319,660	45,727,359	(31,956,062)	46,090,957
<i>Accumulated Depreciation:</i>				
Land Improvements	(671,766)	(21,807)	(21,043)	(672,530)
Buildings and Improvements	(4,742,299)	(298,688)	0	(5,040,987)
Furniture, Fixtures and Equipment	(1,060,537)	(107,712)	(48,978)	(1,119,271)
Vehicles	(1,582)	(8,977)	0	(10,559)
Total Accumulated Depreciation	(6,476,184)	(437,184)	(70,021)	(6,843,347)
Governmental Activities Capital Assets, Net	\$25,843,476	\$45,290,175	(\$31,886,041)	\$39,247,610

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

Governmental Activities

Instruction:

Vocational	\$355,036
Adult/Continuing	1,634
<i>Support Services:</i>	
Pupils	2,352
Fiscal	3,196
Business	47,675
Operation and Maintenance of Plant	3,907
Pupil Transportation	6,605
Central	16,779
	\$437,184
Governmental Activities Depreciation Expense	\$437,184

Capital asset business-type activity for the fiscal year ended June 30, 2006 was as follows:

Asset Category	Balance at July 1, 2005	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2006
Business-Type Activities				
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	\$849,807	\$0	\$0	\$849,807
Furniture, Fixtures and Equipment	64,588	5,725	0	70,313
Total Depreciable Capital Assets	914,395	5,725	0	920,120
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(637,353)	(28,326)	0	(665,679)
Furniture, Fixtures and Equipment	(36,790)	(4,819)	0	(41,609)
Total Accumulated Depreciation	(674,143)	(33,145)	0	(707,288)
Business-Type Activities Capital Assets, Net	\$240,252	(\$27,420)	\$0	\$212,832

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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(Continued)**

NOTE 10 - RISK MANAGEMENT

C-TEC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2006, C-TEC contracted with Harcum-Hyre Insurance for property insurance, fleet insurance and liability insurance. Coverages provided are as follows:

Building and Contents - replacement cost (100% co-insurance)	\$19,051,210
Automobile Liability (\$1,000 deductible for collision and comprehensive)	1,000,000
Uninsured Motorists (\$500 deductible for collision and comprehensive) Each Accident	1,000,000
<i>General Liability:</i> Per Occurrence	1,000,000
Aggregate Limit	2,000,000

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

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

For fiscal year 2006, C-TEC participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 19). The intent of the Plan is to achieve the benefit of a reduced premium for C-TEC by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and C-TEC is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of C-TEC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2006, 10.58 percent of the annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 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. C-TEC's contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$385,092, \$305,317 and \$264,135, respectively; 57.62 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004. \$163,220 representing the unpaid contribution for fiscal year 2006, is recorded as a liability.

State Teachers Retirement System

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

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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary. C-TEC is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. C-TEC's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$885,629, \$777,352, and \$691,506, respectively; 84.74 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004. \$135,148 representing the unpaid contribution for fiscal year 2006, is recorded as a liability. Contributions to the DC and Combined Plans for fiscal year 2006 were \$19,140 made by C-TEC 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, 2006, no members of the Board of Education have elected Social Security.

NOTE 12 - POSTEMPLOYMENT BENEFITS

C-TEC 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 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For C-TEC, this amount equaled \$68,125 during fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information year available), the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and there were 115,395 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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, 2006, employer contributions to fund health care benefits were 3.42 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 2006, the minimum pay has been established at \$35,800. 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, 2005 (latest information available), expenses for health care were \$178,221,113 and the target level was \$267.3 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. The number of participants currently receiving health care benefits is approximately 58,123. For C-TEC, the amount to fund health care benefits, including the surcharge, equaled \$124,481 during the 2006 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 235 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. C-TEC also credits one day for every year of experience, beyond ten years, with C-TEC.

Insurance Benefits

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

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 14 - LONG-TERM LIABILITIES

The changes in C-TEC's long-term liabilities during fiscal year 2006 were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2005	Additions	Deletions	Principal Outstanding at June 30, 2006	Amount Due in One Year
Governmental Activities:							
Energy Conservation Note	1999	5.24%	\$625,693	\$0	\$112,693	\$513,000	\$118,598
General Obligation Bonds	2002	2.00 - 5.375%	31,970,000	0	1,635,000	30,335,000	1,885,000
Construction Loan	2004	0.00%	466,667	0	33,333	433,334	33,333
<i>Add Deferred Amounts:</i>							
Issuance Premium on Bonds	N/A	N/A	643,462	0	33,866	609,596	33,866
Compensated Absences	N/A	N/A	694,579	304,937	234,602	764,913	138,877
Total Governmental Activities Long-Term Liabilities			<u>\$34,400,401</u>	<u>\$304,937</u>	<u>\$2,049,494</u>	<u>\$32,655,843</u>	<u>\$2,209,674</u>

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

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

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

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 14 - LONG-TERM LIABILITIES - (Continued)

	Principal Outstanding at July 1, 2005	Additions	Deletions	Principal Outstanding at June 30, 2006	Amount Due in One Year
Business-Type Activities:					
Compensated Absences	\$59,973	\$49,704	\$40,819	\$68,858	\$32,037

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

C-TEC's overall legal debt margin was \$303,882,401, with an unvoted debt margin of \$3,280,194 and an energy conservation debt margin of \$32,908,740 at June 30, 2006.

Principal and interest requirements to retire the energy conservation note, general obligation bonds and construction loan outstanding at June 30, 2006, are as follows:

Fiscal Year Ending June 30,	Energy Conservation Note	General Obligation Bonds	Construction Loan	Total
2007	\$142,372	\$3,321,661	\$33,333	\$3,497,366
2008	142,210	3,397,224	33,333	3,572,767
2009	142,038	3,495,349	33,333	3,670,720
2010	141,858	1,897,279	33,333	2,072,470
2011	0	1,950,791	33,334	1,984,125
2012-2016	0	10,678,021	166,667	10,844,688
2017-2021	0	12,409,428	100,001	12,509,429
2022-2025	0	8,449,050	0	8,449,050
Total Debt Payments	568,478	45,598,803	433,334	46,600,615
Less: Interest	55,478	15,263,803	0	15,319,281
Total Principal	\$513,000	\$30,335,000	\$433,334	\$31,281,334

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 2006, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$214,355	\$0
<i>Nonmajor Special Revenue Funds:</i>		
Other Grants	0	2,116
District Managed Activities	0	2,322
Post-Secondary Vocational Education	0	10,577
Networking Technical Preparation	0	6,943
Adult Basic Education	0	32,270
Vocational Education	0	37,208
Title VI	0	2,565
Drug Free Schools	0	599
Reducing Class Size	0	4,250
Total Nonmajor Special Revenue Fund	0	98,850
Adult Education	0	115,505
Total	<u>\$214,355</u>	<u>\$214,355</u>

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

As of June 30, 2006, C-TEC had interfund transactions as follows:

Transfers From	Transfers To
	Nonmajor Special Revenue Funds
General	<u>\$115,007</u>

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 15 - INTERFUND ACTIVITY (Continued)

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.

NOTE 16 - STATUTORY SET-ASIDES

The following changes occurred in C-TEC's set-aside reserve accounts during fiscal year 2006:

	Textbooks	Capital Improvements	Totals
Set-Aside Reserve Balance as of July 1, 2005	(\$708,598)	(\$18,355,064)	(\$19,063,662)
Current Year Set-Aside Requirement	107,206	107,206	214,412
Qualifying Disbursements	(745,030)	(12,410,688)	(13,155,718)
Totals	(1,346,422)	(30,658,546)	(32,004,968)
Set-Aside Balance Carried Forward to Future Fiscal Years	(\$1,346,422)	(\$30,658,546)	(32,004,968)
Set-Aside Reserve Balance as of June 30, 2006	\$0	\$0	\$0

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 17 - CONTRACTUAL COMMITMENTS

As of June 30, 2006, C-TEC had contractual commitments related to the construction of new facilities. The amount for each contractor is as follows:

Contractor	Purchase Commitments	Amounts Paid as of June 30, 2006	Amounts Remaining on Contracts
Kimble Architects	\$3,869,558	\$3,816,469	\$53,089
Robertson Construction Inc.	3,908,456	1,623,068	2,285,388
General Temperature Control, Inc.	2,515,450	2,356,636	158,814
Gutridge Plumbing, Inc.	5,689,254	5,382,339	306,915
Claypool Electric, Inc.	5,058,604	4,649,063	409,541
Total	<u>\$21,041,322</u>	<u>\$17,827,575</u>	<u>\$3,213,747</u>

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

Licking Area Computer Association (LACA)

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

C-TEC is the fiscal agent for LACA. Financial statements for LACA can be obtained from Career and Technology Education Centers of Licking County administrative offices at 150 Price Road, Newark, Ohio 43055. C-TEC made payments of \$75,659 to LACA in fiscal year 2006.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 19 - INSURANCE PURCHASING POOL

Ohio School Boards Association Worker's Compensation Group Rating Plan

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

NOTE 20 - CONTINGENCIES

Grants

C-TEC received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of C-TEC at June 30, 2006.

NOTE 21 - SUBSEQUENT EVENTS

On September 13, 2006, C-TEC issued an additional \$3,300,000 in bonds to assist in financing the construction and renovation of C-TEC facilities.

On various dates after June 30, 2006, and as a result of on going litigation described in Note 22, several subcontractors files mechanics liens on remaining unspent project proceeds.

NOTE 22 - LITIGATION

The District is in the final stages of an addition and renovation construction project at its Newark, Ohio campus. During the course of the construction project, the District terminated its contract with their general trades contractor. The Contractor has brought suit against the District, and the District has filed a counter claim, and has also filed a complaint against The Contractor's bonding company, Ohio Farmer's Insurance Company.

The final outcome of this litigation cannot be determined at this time.

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CAREER AND TECHNOLOGY EDUCATION CENTERS

LICKING COUNTY

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Federal Pell Grant Program	N/A	84.063	\$ 73,543	\$ 71,946
<i>Passed Through Ohio Department of Education:</i>				
Adult Education- State Grant Program (IDEA Part B)	AB-S1-2005/06 AB-S2-2006 AB-S2-2006	84.002	111,515 139,311 21,747	7,980 163,745 25,342
Total Adult Education- State Grant Program			<u>272,573</u>	<u>197,067</u>
Special Education Grants to States	6B-S3 2005	84.027	100,000	100,000
Vocational Education- Basic Grants to States	20-C1-2005 20-C1-2006 20-C2-2005 20-C2-2006 20-A0-2005 20-A5-2005 20-A5-2006	84.048	63,249 357,266 56,430 58,126 10,000 10,000 1,100	13,349 360,129 1,692 62,693 - 11,637 11,000
Total Vocational Education- Basic Grants to States			<u>556,171</u>	<u>460,500</u>
Safe and Drug Free Schools and Communities - State Grants	DR-S1-2005 DR-S1-2006	84.186	1,494 1,769	- 2,368
Total Safe and Drug Free Schools and Communities - State Grants			<u>3,263</u>	<u>2,368</u>
State Grants for Innovative Programs	C2S1-2005 C2S1-2006	84.298	5,086 285	- 2,850
Total State Grants for Innovative Programs			<u>5,371</u>	<u>2,850</u>
Vocational Education - Occupational and Employment Information State Grants	OE-00-2006	84.346	8,838	- 8,438
Improving Teacher Quality State Grants	TR-S1-2005 TR-S1-2006	84.367	6,032 490	- 4,740
Total Improving Teacher Quality State Grants			<u>6,522</u>	<u>4,740</u>
Total U.S. Department of Education			<u>1,026,281</u>	<u>847,909</u>
Totals			<u>\$ 1,026,281</u>	<u>\$ 847,909</u>

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2006**

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.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, 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, 2006, which collectively comprise the Center's basic financial statements and have issued our report thereon dated April 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Center's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2006-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Center's management dated April 13, 2007, we reported other matters involving internal control over financial reporting which we do 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-002. In a separate letter to the Center's management dated April 13, 2007, we reported an other matter related to noncompliance we deemed immaterial.

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

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

Mary Taylor, CPA
Auditor of State

April 13, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Career and Technology Education Centers, Licking County, Ohio, (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal program. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

In our opinion, the Center complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

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 a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

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

Mary Taylor, CPA
Auditor of State

April 13, 2007

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding 2006-001

Accounts Receivable - Adult Education Department

The Adult Education accounting department is required to track accounts receivable from students and local businesses who sign up to take adult education training courses. The receivable listing, if maintained timely and properly, will report all outstanding amounts owed to the adult education department, including an aging schedule on past due accounts. An accurate receivable listing is essential to assure that the Department is able to collect, process and account for fees for all services provided.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF FINDINGS (Continued)
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Accounts Receivable - Adult Education Department (Continued)

The accounts receivable listing maintained by the Adult Education Department was not updated on a regular basis by department personnel and was not accurate as presented for audit. Testing of individual accounts revealed that the listing included accounts in which students had prepaid for classes (resulting in a negative receivable), as well as, students who had dropped courses, resulting in amounts determined to be uncollectible at year end, however, were still included on the listing. Many posting errors were noted in the recording of amounts posted the receivable listing by departmental personnel. The above errors resulted in an overstatement of the accounts receivable balance and subsequent audit adjustments to the financial statements.

Additionally, the Department did not have a policy over transactions associated with account receivable. Department personnel were not clear as to what the accounts receivable listing should report or contain, nor could department personnel readily produce reports that provided an accurate accounts receivable listing or an aging schedule on past due accounts.

The inability to accurately record and track accounts receivable, increases the chances of errors or irregularities in fees processed by the department and does not allow for accurate internal or external financial reporting essential for management oversight, including analyzing fiscal operations.

The Treasurer, Superintendent and Director of the Adult Education Department should develop a policy to define procedures to maintain an accurate listing of accounts receivable for services provided by the department. The policy should include procedures for receiving payments, updating accounting records for payments received, tracking outstanding balances, collecting on overdue accounts, making adjustments to the schedule and developing an aging schedule, including a point at which an account is determined to be uncollectible. The policy should be approved by the Board of Education and policy requirements should be monitored by the Treasurer and Adult Education Director on a periodic basis to assure the policy is being followed by departmental personnel. Finally, all accounts determined to be uncollectible should be reviewed, reasons for the determination fully documented and approved by the Board of Education.

Official's Response:

The following are procedures that have or will be implemented in response to the Audit findings- 2006-001

1. Software (Schooldesx) account receivable reporting updates have been requested and completed since this fiscal year that will help assure better accuracy. Schooldesx is currently working on an improved aging report within the software.
2. Internal operations have been modified restricting who can input financial data and organizing accountability of data input under one administrative assistant.
3. Monthly administrative review of accounts receivable has been implemented.
4. Currently completing a written operations procedure manual for receiving payments, schedule of payments, tracking of balances, and making adjustments (completion expected by May 31, 2007).

The Treasurer, in cooperation with the Board of Education and the Adult Education Center, is researching and writing a policy to cover "uncollectible debt" and debt collection

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF FINDINGS (Continued)
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

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

Finding 2006-002

Negative Fund Balances

Ohio Revised Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit balance in any fund indicates that the money from another fund or funds has been used to pay the obligations of the fund or funds carrying the deficit balance.

The Center had several funds during the fiscal year that had negative fund balances indicating that money from one fund was used to cover the expenses of another fund. The following funds had negative fund balances in the Center's accounting records at different points throughout the year: The largest negative balances below were noted throughout the year in the following funds.

Fund	Month	Balance
Bond Retirement (002)	November	\$ (158,951)
Uniform School Supplies (009)	July	(47,693)
Adult Education (012)	February	(110,816)
District Managed Activity (300)	November	(9,176)
Management Info. System (426)	July	(679)
Vocational Education (461)	July	(28,130)
Adult Basic Education (501)	November	(6,848)
IDEA B (516)	November	(21,986)
Misc. Federal Grant (599)	February	(895)

We recommend the Treasurer periodically review cash fund balances of all funds. If advances or transfers from the General Fund are needed to cover cash flow problems, the Treasurer should follow the requirements of Ohio Revised Code Sections 5705.14 to 5705.16 and Auditor of State Bulletin 97-003 and seek Board approval in a timely manner.

Official's Response:

Several times throughout the year several funds will have negative cash balances due to outstanding reimbursements and accounts receivables. To prevent negative cash balances money should be advanced from the General Fund prior to having a negative cash balance. The Center monitors these funds throughout the year; however instead of making several advances and return of advances during the course of the year the Center finds it more reasonable and efficient to do one return of advance at the end of the fiscal year for those funds that still have a negative balance and one return of advance once all reimbursable money has been received. The reason the Center can wait until the end of the year is due to having a positive fund balance in the General Fund greater than the combined negative balances.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Negative cash fund balances	No	Repeated as finding 2006-002



Mary Taylor, CPA
Auditor of State

CAREER AND TECHNOLOGY EDUCATION CENTERS

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 10, 2007**