



Dave Yost • Auditor of State

**ASHTABULA COUNTY TECHNICAL & CAREER CENTER
ASHTABULA COUNTY**

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ASHTABULA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ashtabula County Technical and Career Center
Ashtabula County
1565 State Route 167
Jefferson, Ohio 44047

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula County Technical and Career Center, Ashtabula, Ohio (the Career Center), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Career Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Career Centers preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Career Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula County Technical and Career Center, Ashtabula, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Other Local Grants Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the Career Center's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the Career 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Career Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

December 29, 2017

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Ashtabula County Technical and Career Center

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited*

As management of the Ashtabula County Technical and Career Center (the Career Center), we offer readers of the Career Center's financial statements this narrative overview and analysis of the financial activities of the Career Center for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the Career Center's financial performance.

Financial Highlights

- Net Position of governmental activities increased in fiscal year 2017. There was an increase in revenues and an increase in expenses for the year. Overall revenues outpaced expenses.
- The Career Center is committed to meeting the academic needs of our students. During fiscal year 2017, the Career Center's total expenses increased mainly due to increased secondary career technical, adult/continuing instruction and pupil support services.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Career Center's basic financial statements. The Career Center's basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the Career Center's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Career Center's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Career Center is improving or deteriorating.

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

The government-wide financial statement distinguishes functions of the Career Center that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The Career Center has no business-type activities. The governmental activities of the Career Center include instruction, support services, extracurricular activities, operation of non-instructional services and interest and fiscal charges.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Ashtabula County Technical and Career Center

*Management's Discussion and Analysis
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Unaudited*

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Career Center, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These fund financial statements focus on the Career Center's most significant funds. The Career Center's major governmental funds are the general fund, the other local grants special revenue fund and the permanent improvement capital projects fund. All of the funds of the Career Center can be divided into two categories: governmental and fiduciary.

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

The basic fund financial statements can be found on pages 15-20 of this report.

Fiduciary Fund The fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statement because the resources of this fund are not available to support the Career Center's own programs. These funds use the accrual basis of accounting.

The basic fiduciary fund financial statement can be found on page 21 of this report.

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. The notes to the financial statements can be found on pages 22-52 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the Career Center's net position for fiscal year 2017 compared to fiscal year 2016.

(Table 1)
Net Position
Governmental Activities

	2017	2016	Change
Assets			
Current and Other Assets	\$14,371,938	\$14,072,630	\$299,308
Capital Assets	4,653,726	4,992,661	(338,935)
<i>Total Assets</i>	19,025,664	19,065,291	(39,627)
Deferred Outflows of Resources			
Pension	\$3,640,050	\$1,546,050	\$2,094,000

(continued)

Ashtabula County Technical and Career Center

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited*

(Table 1)
Net Position
Governmental Activities

	2017	2016	Change
Liabilities			
Current Liabilities	\$1,330,940	\$1,213,836	(\$117,104)
Long-Term Liabilities			
Due within One Year	194,269	212,891	18,622
Due in More than One Year:			
Net Pension Liability	19,321,203	15,682,708	(3,638,495)
Other Amounts Due in More Than One Year	532,105	671,535	139,430
<i>Total Liabilities</i>	<u>21,378,517</u>	<u>17,780,970</u>	<u>(3,597,547)</u>
Deferred Inflows of Resources			
Property Taxes	3,286,269	3,826,832	540,563
Pension	648,439	1,792,909	1,144,470
<i>Total Deferred Inflows of Resources</i>	<u>3,934,708</u>	<u>5,619,741</u>	<u>1,685,033</u>
Net Position			
Net Investment in Capital Assets	4,534,922	4,775,610	(240,688)
Restricted for:			
Capital Projects	2,325,251	1,854,161	471,090
Unclaimed Monies	7,090	7,079	11
Other Purposes	472,274	576,200	(103,926)
Unrestricted (Deficit)	<u>(9,987,048)</u>	<u>(10,002,420)</u>	<u>15,372</u>
<i>Total Net Position</i>	<u><u>(\$2,647,511)</u></u>	<u><u>(\$2,789,370)</u></u>	<u><u>\$141,859</u></u>

The net pension liability (NPL) is the largest single liability reported by the Career Center at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Career Center's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting, however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the Career Center's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

Ashtabula County Technical and Career Center

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited*

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Career Center is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability portion of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Career Center’s statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan’s *change* in net pension liability not accounted for as deferred inflows/outflows.

Net position increased from fiscal year 2016 primarily due to an increase in intergovernmental receivables and an increase in deferred outflows of resources related to pension, offset by an increase in net pension liability.

Table 2 shows the changes in net position for fiscal year 2017 compared to fiscal year 2016.

(Table 2)
Change in Net Position
Governmental Activities

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues			
<i>Program Revenues</i>			
Charges for Services and Sales	\$1,544,361	\$1,272,346	\$272,015
Operating Grants and Contributions	3,352,097	3,363,809	(11,712)
Capital Grants and Contributions	74,075	92,434	(18,359)
<i>Total Program Revenues</i>	<u>\$4,970,533</u>	<u>\$4,728,589</u>	<u>\$241,944</u>

(continued)

Ashtabula County Technical and Career Center

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

(Table 2)

Change in Net Position
Governmental Activities

	2017	2016	Change
<i>General Revenues</i>			
Property Taxes	\$4,663,585	\$4,081,078	\$582,507
Grants and Entitlements not Restricted	5,436,691	5,172,985	263,706
Investment Earnings	40,140	47,943	(7,803)
Miscellaneous	34,602	69,535	(34,933)
<i>Total General Revenues</i>	<u>10,175,018</u>	<u>9,371,541</u>	<u>803,477</u>
<i>Total Revenues</i>	<u>15,145,551</u>	<u>14,100,130</u>	<u>1,045,421</u>
<i>Program Expenses</i>			
Current:			
Instruction:			
Regular	1,121,232	948,977	(172,255)
Special	807,099	747,281	(59,818)
Vocational	5,128,139	4,868,195	(259,944)
Adult/Continuing	2,095,522	1,917,654	(177,868)
Student Intervention Services	830,660	832,434	1,774
Support Services:			
Pupils	860,490	523,359	(337,131)
Instructional Staff	1,029,582	962,482	(67,100)
Board of Education	45,174	67,799	22,625
Administration	1,154,096	1,171,217	17,121
Fiscal	442,102	400,675	(41,427)
Business	78,371	68,186	(10,185)
Operation and Maintenance of Plant	998,164	1,067,539	69,375
Pupil Transportation	12,813	3,204	(9,609)
Central	106,314	133,012	26,698
Extracurricular Activities	27,364	20,473	(6,891)
Operation of Non-Instructional Services:			
Food Service Operations	260,866	241,778	(19,088)
Interest and Fiscal Charges	5,704	8,900	3,196
<i>Total Program Expenses</i>	<u>15,003,692</u>	<u>13,983,165</u>	<u>(1,020,527)</u>
<i>Change in Net Position</i>	141,859	116,965	24,894
Net Position Beginning of Year	<u>(2,789,370)</u>	<u>(2,906,335)</u>	116,965
<i>Net Position End of Year</i>	<u><u>(\$2,647,511)</u></u>	<u><u>(\$2,789,370)</u></u>	<u><u>\$141,859</u></u>

Ashtabula County Technical and Career Center

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited*

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although Career Centers experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00 and the Career Center would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus career centers dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property tax revenues increased during fiscal year 2017.

Overall, the Career Center experienced an increase in program expenses from the prior fiscal year. Instruction expenses comprise the largest portion of all program expenses for the Career Center. These expenses pay for teacher salary and benefits which increase at set levels every year through negotiated agreements. These increases were offset during fiscal year 2017 by the hiring of personnel at a lower pay scale.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for fiscal year 2017 compared to fiscal year 2016.

(Table 3)
Total and Net Cost of Program Services
Governmental Activities

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$9,982,652	\$6,058,182	\$9,314,541	\$5,464,785
Support Services:				
Pupils and Instructional Staff	1,890,072	1,664,856	1,485,841	1,394,297
Board of Education, Administration, Fiscal and Business	1,719,743	1,328,631	1,707,877	1,329,820
Operation and Maintenance of Plant	998,164	899,234	1,067,539	950,353
Pupil Transportation	12,813	12,813	3,204	3,204
Central	106,314	19,958	133,012	77,203
Extracurricular Activities	27,364	(185,859)	20,473	(2,870)
Operation of Non-Instructional Services:				
Food Service Operations	260,866	229,640	241,778	28,884
Interest and Fiscal Charges	5,704	5,704	8,900	8,900
Total Expenses	\$15,003,692	\$10,033,159	\$13,983,165	\$9,254,576

The dependence upon general revenues for governmental activities is apparent as local property tax and grants and entitlements account for a majority of total revenues in fiscal year 2017.

Ashtabula County Technical and Career Center

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

Financial Analysis of the Government's Funds

Governmental Funds Information about the Career Center's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,839,524 and expenditures of \$14,422,784. The total governmental fund balance increased \$416,740. The net change in the governmental fund balance for the year was most significant in the general fund, other local grants special revenue fund and permanent improvement capital projects fund for fiscal year 2017.

A key factor in the increase of fund balance for the general fund was a result of revenues outpacing expenditures for the fiscal year. The decrease in the other local grants special revenue fund was due to a decrease in grant monies received during fiscal year 2017. The permanent improvement capital projects major fund increase is a result of revenue outpacing expenditures as well as fewer capital improvements made during the fiscal year.

General Fund Budgeting Highlights

Budgeting is prescribed by the Ohio Revised Code. Essentially, the budget is the Career Center's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Revised Code. During the course of fiscal year 2017, the Career Center amended its general fund budget numerous times to allow for insignificant amendments. Actual revenues received were the same as the amount certified at the end of the year. Actual expenditures were less than final appropriations due mainly to the diligence of management to keep costs low while still providing the services the Career Center citizens expect.

Capital Assets and Long-term Liabilities

Capital Assets The following table shows fiscal year 2017 values compared to fiscal year 2016.

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

	2017	2016	Change
Land	\$153,226	\$153,226	\$0
Land Improvements	160,893	165,559	(4,666)
Buildings and Improvements	2,742,243	2,957,341	(215,098)
Furniture, Equipment and Fixtures	1,468,721	1,611,458	(142,737)
Vehicles	128,643	105,077	23,566
Total	<u>\$4,653,726</u>	<u>\$4,992,661</u>	<u>(\$338,935)</u>

The Career Center capital asset acquisitions during the fiscal year included building improvements throughout the Career Center complex as well as new equipment for maintenance and vehicles. The decrease in capital assets was due to another year of depreciation exceeding additions. Additional information on the Career Center's capital assets can be found in Note 13 of the basic financial statements.

Long-term Liabilities During fiscal year 2015, the Career Center entered into a capital lease agreement for equipment. At June 30, 2017, \$118,804 remained outstanding. The Career Center also had compensated absences. The Career Center's compensated absences overall liability decreased \$59,805 from \$667,375 to \$607,570. Additional information on the Career Center's long-term liabilities can be found in Note 16 of the basic financial statements.

Ashtabula County Technical and Career Center

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited*

Current Financial Related Activities

Ashtabula County Technical and Career Center is strong financially. As the preceding information shows, the Career Center heavily depends on its property taxpayers. The Career Center has passed two levies that will allow the continuation of its education programs. The Career Center has a total of 4.11 mills levied, a 3.81 Mill Current Expense Tax Levy and a 0.30 Mill Permanent Improvement Tax Levy, both of which are continuing millage as of June 30, 2017.

With the passage of these levies the Career Center has been able to continue its educational programs. However, financially the future is not without challenges. While the Career Center was successful in maintaining its tax revenue base during the past few years, this does not constitute an actual increase. Some of the challenges include the unpredictable future of the State funding and the struggle to keep a competitive salary scale to retain quality personnel. Another example is seen in low interest rates being very good for issuing debt, but not attractive for maintaining investment revenues. Thus management must diligently plan expenses, staying carefully within the Career Center's five-year forecast.

Property valuations provide no significant increase in future revenues. Any increases in property tax revenues, along with questionable increases in State foundation payments, may help to keep up with increased costs. However, personal property tax has been phased out, there will be revenue reimbursement during a "hold-harmless period" and a new Commercial Activity Tax has been instituted. But our enrollment is dependent on many factors and the Career Center must work hard to maintain its current enrollment, as we do not have a "captive audience" of automatic students enrolling. Right now we are in a two year State budget cycle where enrollment does play a part in our Foundation payment. We are subject to average daily membership funding and slight increase in per pupil amount in a new funding formula for fiscal year 2016. We went on the Guarantee in fiscal year 2015, which is based on fiscal year 2013 funding levels. With its major sources of revenue just slightly more than expenditure increases, the Career Center must still be vigilant to continue current operations. However, the Career Center cannot look to the State of Ohio for increased revenue of any significance.

Management needs to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Contacting the Career Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Career Center's finances and to show the Career Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Lindsey Elly, Treasurer at Ashtabula County Technical and Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

Ashtabula County Technical and Career Center

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,922,134
Accrued Interest Receivable	6,499
Accounts Receivable	201,688
Intergovernmental Receivable	476,412
Inventory Held for Resale	3,696
Materials and Supplies Inventory	30,365
Property Taxes Receivable	4,731,144
Nondepreciable Capital Assets	153,226
Depreciable Capital Assets, Net	<u>4,500,500</u>
<i>Total Assets</i>	<u>19,025,664</u>
Deferred Outflows of Resources	
Pension	<u>3,640,050</u>
Liabilities	
Accounts Payable	224,205
Accrued Wages and Benefits	1,011,918
Intergovernmental Payable	94,817
Long-Term Liabilities:	
Due Within One Year	194,269
Due in More Than One Year:	
Net Pension Liability (See Note 22)	19,321,203
Other Amounts Due in More Than One Year	<u>532,105</u>
<i>Total Liabilities</i>	<u>21,378,517</u>
Deferred Inflows of Resources	
Property Taxes	3,286,269
Pension	<u>648,439</u>
<i>Total Deferred Inflows of Resources</i>	<u>3,934,708</u>
Net Position	
Net Investment in Capital Assets	4,534,922
Restricted for:	
Capital Projects	2,325,251
Unclaimed Monies	7,090
Other Purposes	472,274
Unrestricted (Deficit)	<u>(9,987,048)</u>
<i>Total Net Position</i>	<u><u>(\$2,647,511)</u></u>

See accompanying notes to the basic financial statements

Ashtabula County Technical and Career Center
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net Revenue/(Expense) and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$1,121,232	\$0	\$0	\$0	(\$1,121,232)
Special	807,099	245,425	88,153	0	(473,521)
Vocational	5,128,139	278,226	495,045	0	(4,354,868)
Adult/Continuing	2,095,522	638,671	1,411,755	0	(45,096)
Student Intervention Services	830,660	0	767,195	0	(63,465)
Support Services:					
Pupils	860,490	0	223,169	0	(637,321)
Instructional Staff	1,029,582	0	2,047	0	(1,027,535)
Board of Education	45,174	0	0	0	(45,174)
Administration	1,154,096	201,118	189,994	0	(762,984)
Fiscal	442,102	0	0	0	(442,102)
Business	78,371	0	0	0	(78,371)
Operation and Maintenance of Plant	998,164	24,855	0	74,075	(899,234)
Pupil Transportation	12,813	0	0	0	(12,813)
Central	106,314	55,805	30,551	0	(19,958)
Extracurricular Activities	27,364	87,767	125,456	0	185,859
Food Service Operations	260,866	12,494	18,732	0	(229,640)
Interest and Fiscal Charges	5,704	0	0	0	(5,704)
Totals	\$15,003,692	\$1,544,361	\$3,352,097	\$74,075	(10,033,159)

General Revenues

Property Taxes Levied for:	
General Purposes	4,135,244
Capital Outlay	528,341
Grants and Entitlements not Restricted to Specific Programs	
	5,436,691
Investment Earnings	40,140
Miscellaneous	34,602
Total General Revenues	10,175,018
Change in Net Position	141,859
<i>Net Position Beginning of Year</i>	<u>(2,789,370)</u>
<i>Net Position End of Year</i>	<u><u>(\$2,647,511)</u></u>

See accompanying notes to the basic financial statements

Ashtabula County Technical and Career Center

Balance Sheet

Governmental Funds

June 30, 2017

	General	Other Local Grants	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$6,209,482	\$102,244	\$2,158,543	\$444,775	\$8,915,044
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	7,090	0	0	0	7,090
Property Taxes Receivable	4,269,296	0	461,848	0	4,731,144
Accounts Receivable	19,098	0	0	182,590	201,688
Intergovernmental Receivable	2,532	347,597	0	126,283	476,412
Interfund Receivable	577,000	0	0	0	577,000
Accrued Interest Receivable	6,499	0	0	0	6,499
Inventory Held for Resale	0	0	0	3,696	3,696
Materials and Supplies Inventory	28,952	0	0	1,413	30,365
<i>Total Assets</i>	<u>\$11,119,949</u>	<u>\$449,841</u>	<u>\$2,620,391</u>	<u>\$758,757</u>	<u>\$14,948,938</u>
Liabilities					
Accounts Payable	\$55,103	\$163,884	\$0	\$5,218	\$224,205
Accrued Wages and Benefits	854,521	46,565	0	110,832	1,011,918
Intergovernmental Payable	65,365	13,306	0	16,146	94,817
Interfund Payable	0	462,000	0	115,000	577,000
<i>Total Liabilities</i>	<u>974,989</u>	<u>685,755</u>	<u>0</u>	<u>247,196</u>	<u>1,907,940</u>
Deferred Inflows of Resources					
Property Taxes	2,991,129	0	295,140	0	3,286,269
Unavailable Revenue	544,395	309,927	67,584	225,497	1,147,403
<i>Total Deferred Inflows of Resources</i>	<u>3,535,524</u>	<u>309,927</u>	<u>362,724</u>	<u>225,497</u>	<u>4,433,672</u>
Fund Balances:					
Nonspendable	36,042	0	0	1,413	37,455
Restricted	0	0	2,257,667	284,651	2,542,318
Assigned	914,875	0	0	0	914,875
Unassigned (Deficit)	5,658,519	(545,841)	0	0	5,112,678
<i>Total Fund Balances</i>	<u>6,609,436</u>	<u>(545,841)</u>	<u>2,257,667</u>	<u>286,064</u>	<u>8,607,326</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$11,119,949</u>	<u>\$449,841</u>	<u>\$2,620,391</u>	<u>\$758,757</u>	<u>\$14,948,938</u>

See accompanying notes to the basic financial statements

Ashtabula County Technical and Career Center
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Funds Balances	\$8,607,326
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,653,726
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:

Delinquent Property Taxes	592,881
Intergovernmental	352,834
Charges for Services	18,235
Tuition	<u>183,453</u>

Total	1,147,403
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	(607,570)
Capital Leases Payable	<u>(118,804)</u>

Total	(726,374)
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The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	3,640,050
Net Pension Liability	(19,321,203)
Deferred Inflows - Pension	<u>(648,439)</u>

Total	<u>(16,329,592)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>(\$2,647,511)</u></u>
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See accompanying notes to the basic financial statements

Ashtabula County Technical and Career Center
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2017

	General	Other Local Grants	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$4,104,170	\$0	\$525,086	\$0	\$4,629,256
Intergovernmental	5,436,691	872,954	74,075	2,269,225	8,652,945
Interest	40,130	0	0	10	40,140
Charges for Services	85,823	0	0	462,088	547,911
Tuition and Fees	221,731	0	0	670,931	892,662
Extracurricular Activities	0	0	0	12,494	12,494
Rentals	6,742	0	0	0	6,742
Contributions and Donations	2,850	0	0	19,922	22,772
Miscellaneous	19,671	0	0	14,931	34,602
<i>Total Revenues</i>	<u>9,917,808</u>	<u>872,954</u>	<u>599,161</u>	<u>3,449,601</u>	<u>14,839,524</u>
Expenditures					
Current:					
Instruction:					
Regular	1,065,785	54,263	0	0	1,120,048
Special	478,377	0	0	237,465	715,842
Vocational	3,942,719	0	0	359,978	4,302,697
Adult/Continuing	0	97,693	0	1,932,168	2,029,861
Student Intervention Services	2,532	818,054	0	0	820,586
Support Services:					
Pupils	471,901	237,964	0	89,286	799,151
Instructional Staff	993,593	0	0	20,796	1,014,389
Board of Education	42,996	0	0	0	42,996
Administration	677,907	39,756	0	390,772	1,108,435
Fiscal	461,552	0	10,224	525	472,301
Business	65,031	0	0	306	65,337
Operation and Maintenance of Plant	1,009,889	0	0	0	1,009,889
Pupil Transportation	11,071	0	0	0	11,071
Central	32,640	0	0	73,526	106,166
Extracurricular Activities	0	0	0	27,364	27,364
Food Service Operations	192	0	0	251,356	251,548
Capital Outlay	50	0	421,102	0	421,152
Debt Service:					
Principal Retirement	0	0	0	98,247	98,247
Interest and Fiscal Charges	0	0	0	5,704	5,704
<i>Total Expenditures</i>	<u>9,256,235</u>	<u>1,247,730</u>	<u>431,326</u>	<u>3,487,493</u>	<u>14,422,784</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>661,573</u>	<u>(374,776)</u>	<u>167,835</u>	<u>(37,892)</u>	<u>416,740</u>
Other Financing Sources (Uses)					
Transfers In	0	0	300,000	0	300,000
Transfers Out	(300,000)	0	0	0	(300,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(300,000)</u>	<u>0</u>	<u>300,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	361,573	(374,776)	467,835	(37,892)	416,740
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>6,247,863</u>	<u>(171,065)</u>	<u>1,789,832</u>	<u>323,956</u>	<u>8,190,586</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$6,609,436</u>	<u>(\$545,841)</u>	<u>\$2,257,667</u>	<u>\$286,064</u>	<u>\$8,607,326</u>

See accompanying notes to the basic financial statements

Ashtabula County Technical and Career Center
*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, 2017*

Net Change in Fund Balances -Total Governmental Funds	\$416,740
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*Amounts reported for governmental activities in the
statement of activities are different because:*

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

Capital Asset Additions	143,573	
Current Year Depreciation	<u>(481,570)</u>	
 Total		 (337,997)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(938)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	34,329	
Intergovernmental	187,146	
Charges for Services	(10,928)	
Tuition	<u>95,480</u>	
 Total		 306,027

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	98,247
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	59,805
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	927,901
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Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	<u>(1,327,926)</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$141,859</u></u>
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See accompanying notes to the basic financial statements

Ashtabula County Technical and Career Center
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$3,494,350	\$3,816,064	\$3,816,064	\$0
Intergovernmental	4,977,000	5,434,159	5,434,159	0
Interest	43,000	51,337	51,337	0
Charges for Services	43,000	26,571	26,571	0
Tuition and Fees	62,000	86,562	86,562	0
Rentals	1,500	6,742	6,742	0
Contributions and Donations	0	2,850	2,850	0
Miscellaneous	334,511	19,261	19,261	0
<i>Total Revenues</i>	<u>8,955,361</u>	<u>9,443,546</u>	<u>9,443,546</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	1,121,905	1,071,543	1,044,396	27,147
Special	446,613	487,289	474,939	12,350
Vocational	4,384,471	3,875,294	3,694,460	180,834
Student Intervention Services	0	2,532	2,532	0
Support Services:				
Pupils	497,273	501,553	476,746	24,807
Instructional Staff	1,044,458	1,041,206	1,007,159	34,047
Board of Education	96,123	77,939	52,393	25,546
Administration	773,440	821,667	685,773	135,894
Fiscal	429,281	487,843	471,390	16,453
Business	77,400	77,477	64,992	12,485
Operation and Maintenance of Plant	1,166,955	1,103,072	1,044,908	58,164
Pupil Transportation	13,830	14,979	11,606	3,373
Central	77,939	83,214	47,134	36,080
Operation of Non-Instructional Services:				
Other Non-Instructional Services	125	125	0	125
Capital Outlay	0	50	50	0
<i>Total Expenditures</i>	<u>10,129,813</u>	<u>9,645,783</u>	<u>9,078,478</u>	<u>567,305</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,174,452)</u>	<u>(202,237)</u>	<u>365,068</u>	<u>567,305</u>
Other Financing Sources (Uses)				
Advances In	350,000	1,023,664	728,664	(295,000)
Advances Out	(195,186)	(195,186)	(577,000)	(381,814)
Transfers Out	(35,000)	(331,431)	(331,431)	0
<i>Total Other Financing Sources (Uses)</i>	<u>119,814</u>	<u>497,047</u>	<u>(179,767)</u>	<u>(676,814)</u>
<i>Net Change in Fund Balance</i>	(1,054,638)	294,810	185,301	(109,509)
<i>Fund Balance Beginning of Year</i>	5,593,647	5,593,647	5,593,647	0
Prior Year Encumbrances Appropriated	173,716	173,716	173,716	0
<i>Fund Balance End of Year</i>	<u>\$4,712,725</u>	<u>\$6,062,173</u>	<u>\$5,952,664</u>	<u>(\$109,509)</u>

See accompanying notes to the basic financial statements

Ashtabula County Technical and Career Center
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Other Local Grants Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$1,700,200	\$2,283,978	\$895,661	(\$1,388,317)
Expenditures				
Current:				
Instruction:				
Special	141,522	142,026	64,948	77,078
Adult/Continuing	106,072	251,180	99,452	151,728
Student Intervention Services	911,207	1,203,706	800,486	403,220
Support Services:				
Pupils	127,520	258,758	196,758	62,000
Administration	79,989	95,551	41,831	53,720
<i>Total Expenditures</i>	<u>1,366,310</u>	<u>1,951,221</u>	<u>1,203,475</u>	<u>747,746</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>333,890</u>	<u>332,757</u>	<u>(307,814)</u>	<u>(640,571)</u>
Other Financing Sources (Uses)				
Advances In	0	0	462,000	462,000
Advances Out	0	0	(432,000)	(432,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>30,000</u>	<u>30,000</u>
<i>Net Change in Fund Balance</i>	333,890	332,757	(277,814)	(610,571)
<i>Fund Balance Beginning of Year</i>	203,902	203,902	203,902	0
Prior Year Encumbrances Appropriated	95,328	95,328	95,328	0
<i>Fund Balance End of Year</i>	<u>\$633,120</u>	<u>\$631,987</u>	<u>\$21,416</u>	<u>(\$610,571)</u>

See accompanying notes to the basic financial statements

Ashtabula County Technical and Career Center

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2017



Assets

Equity in Pooled Cash and Cash Equivalents \$34,178

Liabilities

Due to Students \$34,178

See accompanying notes to the basic financial statements

Ashtabula County Technical and Career Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 1 - Description of the Career Center

Ashtabula County Technical and Career Center (the “Career Center”) is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The Career Center operates under a seven member Board of Education. Membership is comprised of Board Members from the following school districts: Ashtabula Area City (2 representatives), Ashtabula County Educational Service Center (3 representatives), Conneaut Area City (1 representative), and Geneva Area City (1 representative). The Career Center provides job training leading to employment upon graduation from high school. The Career Center fosters cooperative relationships with business and industry, professional organizations, participating Career Centers, and other interested, concerned groups and organizations to consider, plan and implement education programs designed to meet the common needs and interests of students.

The Career Center was established in 1965 through the consolidation of existing land areas and Career Centers. The Career Center serves Ashtabula County and parts of Geauga and Trumbull Counties. It is located in Ashtabula County. It is staffed by 37 non-certified employees, 70 certified full-time teaching personnel and 8 administrators who provide services to 1,134 students and many other community members. The Career Center currently operates five instructional buildings and a bus garage.

Reporting Entity

Since the Career Center does not have a separately elected governing board and does not meet the definition of a component unit, it is classified as a stand alone government under the provisions of Governmental Accounting Standards Board Statement 14, “The Financial Reporting Entity.”

The reporting entity is comprised of the stand-alone government, component units and other organizations that are included to ensure that the financial statements of the Career Center are not misleading. The stand-alone government consists of all funds, departments, agencies and offices that are not legally separate from the Career Center. For Ashtabula County Career and Technical Center, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the Career Center.

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

The Career Center is associated with a jointly governed organization, an insurance purchasing pool and two shared risk pools. These organizations are the Northeast Ohio Management Information Network, the Ohio Association of School Business Officials Workers’ Compensation Group Rating Program, the Ohio School Plan and the Ashtabula County Schools Council of Governments. These organizations are presented in Notes 18 and 19 to the basic financial statements.

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

The Career Center's basic financial statements consist of government-wide statements, including a statement of net position 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 position and the statement of activities display information about the Career Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the Career Center that are governmental and those that are considered business-type activities. The Career Center, however, has no business-type activities.

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

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

Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid.

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the Career Center's major governmental funds:

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

Other Local Grants Fund The other local grants fund is used to account for and report local grant monies received restricted for youth opportunities.

Permanent Improvement Fund The permanent improvement fund accounts for and reports property taxes restricted to the acquiring, construction, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

The other governmental funds of the Career Center account for grants and other resources whose uses are restricted, committed or assigned to a particular purpose.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Career Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Career Center's own programs. The Career Center had no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Career Center's agency fund accounts for student activities.

Measurement Focus

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

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

Ashtabula County Technical and Career Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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 statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the Career Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Career Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Career Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Career Center deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 22.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Career Center, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Career Center unavailable revenue includes delinquent property taxes, intergovernmental, charges for services and tuition. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 16. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 22).

Ashtabula County Technical and Career Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

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

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the special cost center for all funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds without resolution by the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Career Center Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were passed by the Board of Education.

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

Cash and Cash Equivalents

To improve cash management, all cash received by the Career Center is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2017, investments were limited to federal national mortgage association bonds and federal home loan bank bonds. Non-negotiable certificates of deposit are reported at cost. Investments are reported at fair value which, is based on quoted market price or current share.

Ashtabula County Technical and Career Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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 2017 amounted to \$40,130 which includes \$12,162 assigned from other Career Center funds.

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

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the general fund represent money required by State statute to be set aside for unclaimed monies.

Inventory

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

Capital Assets

The Career Center's only capital assets are general capital assets. General capital assets are those assets related to activities reported in the governmental 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 position but are not reported in the fund financial statements.

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

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

Description	Governmental Activities Estimated Lives
Land Improvements	5 years
Buildings and Improvements	10 to 50 years
Furniture, Equipment and Fixtures	15 to 20 years
Vehicles	10 to 20 years

Ashtabula County Technical and Career Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Interfund Balances

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

Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are eligible to receive termination benefits and those the Career Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Career Center's termination policy. The Career Center records a liability for accumulated unused sick leave for all employees after ten years of teaching and 5 years of service at the Career Center.

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

Accrued Liabilities and Long-term Obligations

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

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include grants and resources restricted for food service operations and extracurricular activities.

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

Fund Balance

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

Ashtabula County Technical and Career Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the Career Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These amounts are assigned by the Career Center Board of Education. In the general fund, assigned amounts represent intended uses established by the Career Center Board of Education or a Career Center official delegated that authority by State Statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Career Center Board of Education assigned fund balance to cover a gap between fiscal year 2018’s estimated revenue and appropriated budget and for classroom support services.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Internal Activity

Transfers between governmental activities are eliminated on the statement of activities. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Estimates

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

Note 3 – Change in Accounting Principle

For fiscal year 2017, the Career Center implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District’s 2017 financial statements; however, there was no effect on beginning net position/fund balance.

The Career Center also implemented GASB’s *Implementation Guide No. 2016-1*. These changes were incorporated into the Career Center’s fiscal year 2017 financial statements, however, there was no effect on beginning net position/fund balance.

Note 4 – Fund Balance

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

Fund Balances	General	Other Local Grants	Permanent Improvement	Other Governmental Funds	Total
<i>Nonspendable</i>					
Inventory	\$28,952	\$0	\$0	\$1,413	\$30,365
Unclaimed Monies	7,090	0	0	0	7,090
<i>Total Nonspendable</i>	36,042	0	0	1,413	37,455
<i>Restricted for</i>					
Food Service Operations	0	0	0	4,014	4,014
Adult Education	0	0	0	126,655	126,655
Cosmetology	0	0	0	35,885	35,885
District Managed Activities	0	0	0	7,962	7,962
Nursing Program	0	0	0	62,209	62,209
Adult Continuing Instruction	0	0	0	41,310	41,310
Vocational Education	0	0	0	6,616	6,616
Capital Improvements	0	0	2,257,667	0	2,257,667
<i>Total Restricted</i>	\$0	\$0	\$2,257,667	\$284,651	\$2,542,318

(continued)

Ashtabula County Technical and Career Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Fund Balances	General	Other Local Grants	Permanent Improvement	Other Governmental Funds	Total
<i>Assigned to</i>					
Purchases on Order - Support Services	\$81,779	\$0	\$0	\$0	\$81,779
Fiscal Year 2018 Appropriations	659,985	0	0	0	659,985
Classroom support services	173,111	0	0	0	173,111
<i>Total Assigned</i>	<u>914,875</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>914,875</u>
<i>Unassigned (Deficit)</i>	<u>5,658,519</u>	<u>(545,841)</u>	<u>0</u>	<u>0</u>	<u>5,112,678</u>
<i>Total Fund Balances</i>	<u><u>\$6,609,436</u></u>	<u><u>(\$545,841)</u></u>	<u><u>\$2,257,667</u></u>	<u><u>\$286,064</u></u>	<u><u>\$8,607,326</u></u>

Note 5 - Accountability

The other local grants special revenue fund had a deficit fund balance of \$545,841 at June 30, 2017. The special revenue fund deficit is a result of adjustments for accrued liabilities. The general fund is liable for any deficit in the funds and provides transfers when cash is required, not when accruals occur.

Note 6 - Budgetary Basis of Accounting

While the Career Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law 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 (non-GAAP Basis) and actual are presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).
3. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
4. Budgetary revenues and expenditures of the public school support, uniform school supply, and rotary – customer service funds are classified to the general fund for GAAP reporting
5. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
6. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and other local grants special revenue fund:

	Net Change in Fund Balance	
	General	Other Local Grants
GAAP Basis	\$361,573	(\$374,776)
Net Adjustment for Revenue Accruals	(238,975)	22,707
Beginning Fair Value Adjustment for Investments	(6,998)	0
Ending Fair Value Adjustment for Investments	(1,174)	0
Advances In	728,664	462,000
Perspective Difference:		
Public School Support	6,959	0
Uniform School Supply	(201)	0
Rotary - Customer Service	(44,239)	0
Net Adjustment for Expenditure Accruals	49,340	125,083
Advances Out	(577,000)	(432,000)
Adjustment for Encumbrances	(92,648)	(80,828)
Budget Basis	<u>\$185,301</u>	<u>(\$277,814)</u>

Note 7 - Deposits and Investments

Monies held by the Career Center are classified by State statute into three categories.

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

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

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

Interim monies held by the Career Center can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the Career Center will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$6,104,694 of the Career Center's bank balance of \$8,553,891 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Career Center to a successful claim by the FDIC.

The Career Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Career Center or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at one hundred two percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at one hundred five percent.

Ashtabula County Technical and Career Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Investments

Investments are reported at fair value. As of June 30, 2017, the Career Center had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percentage of Total Investments
Fair Value - Level Two Inputs				
Federal National Mortgage Association Bonds	\$349,209	Less than one year	AA+	58.33 %
Federal Home Loan Bank Bonds	<u>249,420</u>	Less than one year	AA+	41.67
Total Investments	<u>\$598,629</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the Career Center's recurring fair value measurements as of June 30, 2017. The Career Center's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the Career Center's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the Career Center's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk The Career Center has no investment policy that addresses credit risk.

Concentration of Credit Risk The Career Center places no limit on the amount it may invest in any one issuer.

Note 8 - Property Taxes

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

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Property taxes include amounts levied against all real and public utility property located in the Career Center’s district. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The Career Center receives property taxes from Ashtabula County. The County Auditor periodically advances to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2017, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2017 was \$752,870 in the general fund and \$99,124 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2016 was \$464,764 in the general fund and \$60,180 in the permanent improvement capital projects fund.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,819,814,250	94.07 %	\$1,696,579,870	93.65 %
Public Utility Personal	114,675,250	5.93	115,040,940	6.35
Total	\$1,934,489,500	100.00 %	\$1,811,620,810	100.00 %
Full Tax Rate per \$1,000 of Assessed Valuation	\$4.11		\$4.11	

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 9 – Tax Abatements

The Career Center property taxes were reduced as follows under various community reinvestment area and enterprise zone tax exemption agreements entered into by overlapping governments as follows:

Overlapping Government	Amount of Fiscal Year 2017 Taxes Abated
<i>Community Reinvestment Areas:</i>	
City of Ashtabula	\$2,868
City of Conneaut	1,194
City of Geneva	111
Village of Orwell	2,967
Total	\$7,140
<i>Enterprise Zone Tax Exemptions:</i>	
City of Conneaut	519
Jefferson Township	109
Village of Jefferson	1,035
Village of North Kingsville	62
Village of Rock Creek	14
Total	\$1,739

Note 10 - Interfund Transactions

Interfund Balances

The Career Center had the following interfund balances at June 30, 2017:

	Interfund Receivable
	General
Other Local Grants	\$462,000
Other Governmental Funds:	
Adult Education	95,000
Vocational Education - Carl D. Perkins	20,000
<i>Total Other Governmental Funds</i>	115,000
Total All Funds	\$577,000

The interfund receivables and payables were due to the timing of the receipt of grant monies and the collection of tuition and fees received by the various funds. The general fund provides temporary funding of the program until the grant dollars are received. All interfund receivables will be repaid within one year.

Interfund Transfers

The general fund made a transfer to the permanent improvement capital projects fund in the amount of \$300,000 to provide additional funding for capital improvements.

Ashtabula County Technical and Career Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 11 - Receivables

Receivables at June 30, 2017, consisted of taxes, accounts (charges for services, student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Miscellaneous Local Grants	\$347,597
Vocational Education - Carl D. Perkins	110,140
ABLE Grant	14,398
Ohio Department of Education	2,532
Ashtabula Safety Council	<u>1,745</u>
<i>Total Intergovernmental Receivables</i>	<u><u>\$476,412</u></u>

Note 12 - Contingencies

Grants

The Career Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the Career Center at June 30, 2017, if applicable, cannot be determined at this time.

School Foundation

Career Center foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the Career Center.

Litigation

The Career Center is not party to legal proceedings as of June 30, 2017.

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 13 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

Governmental Activities	Balance 06/30/16	Additions	Deductions	Balance 06/30/17
<i>Capital Assets not being Depreciated:</i>				
Land	\$153,226	\$0	\$0	\$153,226
<i>Capital Assets being Depreciated:</i>				
Land Improvements	330,875	0	0	330,875
Buildings and Improvements	7,479,571	6,859	0	7,486,430
Furniture, Equipment and Fixtures	4,746,689	82,122	(81,076)	4,747,735
Vehicles	379,880	54,592	0	434,472
<i>Total Capital Assets being Depreciated</i>	12,937,015	143,573	(81,076)	12,999,512
Less Accumulated Depreciation:				
Land Improvements	(165,316)	(4,666)	0	(169,982)
Buildings and Improvements	(4,522,230)	(221,957)	0	(4,744,187)
Furniture, Equipment and Fixtures	(3,135,231)	(223,921)	80,138	(3,279,014)
Vehicles	(274,803)	(31,026)	0	(305,829)
<i>Total Accumulated Depreciation</i>	(8,097,580)	(481,570) *	80,138	(8,499,012)
<i>Total Capital Assets being Depreciated, Net</i>	4,839,435	(337,997)	(938)	4,500,500
<i>Governmental Activities Capital Assets, Net</i>	\$4,992,661	(\$337,997)	(\$938)	\$4,653,726

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$8,054
Special	3,432
Vocational	345,744
Adult/Continuing	35,018
Support Services:	
Pupils	675
Instructional Staff	4,738
Administration	30,243
Fiscal	385
Operation and Maintenance of Plant	45,469
Pupil Transportation	1,742
Operation of Non-Instructional Services:	
Food Service Operations	6,070
Total Depreciation Expense	\$481,570

Ashtabula County Technical and Career Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 14 - Risk Management

Property and Liability

The Career Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the Career Center contracted with Ohio School Plan for various types of insurance. Coverage is as follows:

Coverage	Amount
Blanket Building and Contents (\$1,000 Deductible)	\$40,164,155
Fleet Insurance	1,000,000
General Liability - per Occurrence	5,000,000
Aggregate	7,000,000
Excess Liability	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

Employee Medical Benefits

The Career Center participates in the Ashtabula County Schools Council of Governments, a shared risk pool (Note 19) to provide employee medical/surgical, prescription drug, dental and vision benefits. Rates are set through an annual calculation process. The Career Center pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. The Career Center's Board of Education pays \$625 for single coverage and \$1,589, monthly, for family coverage for all employees.

Worker's Compensation

For fiscal year 2017, the Career Center participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the Career Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, LLC provides administrative, cost control and actuarial services to the GRP.

Note 15 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Each employee is entitled to fifteen (15) days sick leave with pay each year under contract and accrues sick leave at the rate of one and one-fourth (1-1/4) days for each calendar month under contract. Sick leave may be accumulated to a maximum based upon negotiated agreements. Certified staff accumulate sick leave to a maximum of 336 days; severance pay is based upon an incremental scale up to a maximum of

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

84 days. Classified staff who are members of the teamsters union accumulate sick leave to a maximum of 235 days; severance is paid up to a maximum of 80 days. Non-union school employees of the Career Center who served at least 10 years in any political subdivision at the time of their retirement shall receive pay for one-quarter of their unused sick leave to a maximum of 200 days or payment of 50 days. Employees, who have 10 years of service and have accumulated more than 200 days, shall be paid for one-tenth of their remaining unused and un-reimbursed sick leave to a maximum of 80 days or payment of 8 days pay.

Classified employees earn ten (10) to twenty (20) days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Non-union classified staff, teamsters and secretaries receive an additional day of vacation for each year beyond 19 years of service. Administrative personnel earn 20 to 25 days of vacation leave annually.

Insurance

Life insurance is offered to employees through the Educational Employees Life Insurance Trust Company. Certified and classified employees are covered as follows:

- \$35,000 for Teamsters Union and Secretaries Association employees at \$3.68 per month;
- \$35,000 for Administration, Non-union employees and Teachers at \$3.68 per month.

Health Insurance Benefits

The Career Center provides employee medical and surgical insurance, prescription drug, dental, and vision insurance through the Ashtabula County Schools Council of Governments.

Note 16 - Long-Term Obligations

Changes in long-term obligations of the Career Center during fiscal year 2017 were as follows:

	Balance 6/30/16	Additions	Deductions	Balance 6/30/17	Amounts Due in One Year
Governmental Activities					
Net Pension Liability:					
SERS	\$2,558,917	\$573,963	\$0	\$3,132,880	\$0
STRS	13,123,791	3,064,532	0	16,188,323	0
Total Net Pension Liability	15,682,708	3,638,495	0	19,321,203	0
Compensated Absences	667,375	54,839	114,644	607,570	92,719
Capital Lease	217,051	0	98,247	118,804	101,550
<i>Total Long-Term Obligations</i>	<u>\$16,567,134</u>	<u>\$3,693,334</u>	<u>\$212,891</u>	<u>\$20,047,577</u>	<u>\$194,269</u>

Ashtabula County Technical and Career Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: general fund and food services, adult education, other local grants, Licensed Practical Nurse program, ABLE grant and Carl Perkins grant special revenue funds. For additional information related to the net pension liability see Note 22. Compensated absences will be paid from the general fund and the food service, adult education, other local grants, Licensed Practical Nurse program, ABLE grant and Carl Perkins grant special revenue funds. The capital lease will be paid from the adult education special revenue fund.

Note 17 – Capital Lease

In a prior fiscal year, the Career Center entered into a capitalized lease obligation for training equipment. This lease meets the criteria for a capital lease and has been recorded on the government-wide statements. The original amount capitalized for the capital lease and the book value as of June 30, 2017, follows:

	Amounts
Assets:	
Equipment	\$386,630
Less: Accumulated Depreciation	(231,978)
Current Book Value	<u>\$154,652</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2017.

	Amounts
2018	\$103,951
2019	17,325
Total Minimum Lease Payments	121,276
Less: Amount Representing Interest	(2,472)
Present Value of Minimum Lease Payments	<u>\$118,804</u>

Note 18 - Jointly Governed Organization

Northeast Ohio Management Information Network (NEOMIN) – The North East Ohio Management Information Network (NEOMIN) is a jointly governed organization among 30 school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the districts supports NEOMIN based upon a per pupil charge. The Career Center paid \$15,004 to NEOMIN during fiscal year 2017.

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

The Governing Board consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. The degree of control exercised by a participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull Career and Technical Center, 528 Educational Highway, Warren, Ohio 44483.

Note 19 – Public Entity Risk Pools

Insurance Purchasing Pool

The Career Center participates in a group rating program for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool. The Executive Director of the OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Shared Risk Pools

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

The Career Center has contracted with the Ashtabula County Schools Council of Governments ("the Council) to provide employee medical/surgical, prescription drug, dental and vision benefits. The Council is organized under Chapter 167 of the Ohio Revised Code and is comprised of seven Ashtabula County school districts. Rates are set by the Council's board of directors. The Career Center pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The Council is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the Career Center. The Council shall pay the run out of all claims for a withdrawing Member. Any Member which withdraws from the Council pursuant to the Council Agreement shall have no claim to the Council's assets.

Ashtabula County Technical and Career Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 20 - Set-Aside Calculation

The Career Center is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Capital Improvements</u>
Set-aside Cash Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	97,722
Current Year Offsets	(560,216)
Qualifying Expenditures	<u>(504,407)</u>
Totals	<u>(\$966,901)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Balance as of June 30, 2017	<u>\$0</u>

The Career Center had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero. The negative set-aside balance for the capital improvements may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years.

Note 21 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$92,648
Other Local Grants	80,828
Permanent Improvement	67,787
Other Governmental Funds	<u>23,528</u>
Total	<u>\$264,791</u>

Ashtabula County Technical and Career Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 22 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Career Center’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Career Center’s obligation for this liability to annually required payments. The Career Center cannot control benefit terms or the manner in which pensions are financed; however, the Career Center does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Career Center non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Ashtabula County Technical and Career Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Career Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The Career Center's contractually required contribution to SERS was \$193,403 for fiscal year 2017. Of this amount \$5,687 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Career Center licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site 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. Benefits are established by Ohio Revised Code Chapter 3307.

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The Career Center's contractually required contribution to STRS was \$734,498 for fiscal year 2017. Of this amount \$108,301 is reported as an intergovernmental payable.

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Career Center's proportion of the net pension liability was based on the Career Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.04484530%	0.04748618%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.04280430%</u>	<u>0.04836231%</u>	
Change in Proportionate Share	<u>-0.00204100%</u>	<u>0.00087613%</u>	
Proportionate Share of the Net Pension Liability	\$3,132,880	\$16,188,323	\$19,321,203
Pension Expense	\$273,949	\$1,053,977	\$1,327,926

At June 30, 2017, the Career Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$42,255	\$654,086	\$696,341
Changes of assumptions	209,137	0	209,137
Net difference between projected and actual earnings on pension plan investments	258,417	1,344,066	1,602,483
Changes in proportionate Share and difference between Career Center contributions and proportionate share of contributions	0	204,188	204,188
Career Center contributions subsequent to the measurement date	<u>193,403</u>	<u>734,498</u>	<u>927,901</u>
Total Deferred Outflows of Resources	<u>\$703,212</u>	<u>\$2,936,838</u>	<u>\$3,640,050</u>
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference between Career Center contributions and proportionate share of contributions	<u>\$111,760</u>	<u>\$536,679</u>	<u>\$648,439</u>

\$927,901 reported as deferred outflows of resources related to pension resulting from Career Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$83,110	\$188,521	\$271,631
2019	82,923	188,522	271,445
2020	157,732	704,277	862,009
2021	<u>74,284</u>	<u>584,341</u>	<u>658,625</u>
Total	<u>\$398,049</u>	<u>\$1,665,661</u>	<u>\$2,063,710</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are presented below:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Career Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,147,738	\$3,132,880	\$2,283,402

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS’ investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	 <u>7.61 %</u>

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Ashtabula County Technical and Career Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Sensitivity of the Career Center’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Career Center’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Career Center’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$21,512,966	\$16,188,323	\$11,696,673

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to Career Center’s NPL is expected to be significant.

Note 23 - Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO’s, PPO’s, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS’ Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was

Ashtabula County Technical and Career Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$23,170.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$23,170, \$21,574, and \$29,776, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Required Supplementary Information

Ashtabula County Technical and Career Center
Required Supplementary Information
Schedule of the Career Center's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Four Fiscal Years (1)**

	2017	2016	2015	2014
Career Center's Proportion of the Net Pension Liability	0.04280430%	0.04484530%	0.04587600%	0.04587600%
Career Center's Proportionate Share of the Net Pension Liability	\$3,132,880	\$2,558,917	\$2,321,758	\$2,728,098
Career Center's Covered Payroll	\$1,359,414	\$1,322,179	\$1,344,550	\$1,325,305
Career Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	230.46%	193.54%	172.68%	205.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the Career Center's measurement date which is the prior fiscal year end.

Ashtabula County Technical and Career Center
Required Supplementary Information
Schedule of the Career Center's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Four Fiscal Years (1)**

	2017	2016	2015	2014
Career Center's Proportion of the Net Pension Liability	0.04836231%	0.04748618%	0.05057587%	0.05057587%
Career Center's Proportionate Share of the Net Pension Liability	\$16,188,323	\$13,123,791	\$12,301,802	\$14,653,826
Career Center's Covered Payroll	\$5,116,057	\$4,944,314	\$5,102,886	\$5,521,654
Career Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	316.42%	265.43%	241.08%	265.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the Career Center's measurement date which is the prior fiscal year end.

Ashtabula County Technical and Career Center
Required Supplementary Information
Schedule of Career Center Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$193,403	\$190,318	\$174,263	\$186,355
Contributions in Relation to the Contractually Required Contribution	<u>(193,403)</u>	<u>(190,318)</u>	<u>(174,263)</u>	<u>(186,355)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Career Center Covered Payroll	\$1,381,450	\$1,359,414	\$1,322,179	\$1,344,550
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$183,422	\$164,671	\$165,218	\$185,729	\$130,870	\$128,642
<u>(183,422)</u>	<u>(164,671)</u>	<u>(165,218)</u>	<u>(185,729)</u>	<u>(130,870)</u>	<u>(128,642)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,325,305	\$1,224,323	\$1,314,386	\$1,371,706	\$1,329,978	\$1,310,000
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Ashtabula County Technical and Career Center
Required Supplementary Information
Schedule of Career Center Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$734,498	\$716,248	\$692,204	\$663,375
Contributions in Relation to the Contractually Required Contribution	<u>(734,498)</u>	<u>(716,248)</u>	<u>(692,204)</u>	<u>(663,375)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Career Center Covered Payroll	\$5,246,414	\$5,116,057	\$4,944,314	\$5,102,886
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$717,815	\$776,760	\$796,189	\$777,157	\$747,603	\$738,938
(717,815)	(776,760)	(796,189)	(777,157)	(747,603)	(738,938)
\$0	\$0	\$0	\$0	\$0	\$0
\$5,521,654	\$5,975,077	\$6,124,531	\$5,978,131	\$5,750,792	\$5,684,138
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Ashtabula County Technical and Career Center

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**ASHTABULA COUNTY TECHNICAL & CAREER CENTER
ASHTABULA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	2017		\$136,739
Non-Cash Food Commodities	10.555	2017		20,413
Sub-Total - Child Nutrition Cluster				157,152
Total U.S. Department of Agriculture				157,152
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Direct Programs:</i>				
Student Financial Assistance Cluster:				
Pell Grants	84.063	2017		361,944
Direct Student Loans	84.268	2017		745,278
Sub-Total - Student Financial Assistance Cluster				1,107,222
<i>Passed Through the Ohio Board of Regents:</i>				
Adult Education - State Grant Program	84.002	2016 2017		8,901 102,112
Sub-Total - State Grant Program				111,013
Career & Technical Education-Basic Grants to States Full Service Center Payment	84.048	2016 2017		3,201 22,530
Sub-Total - Full Service Center Payment				25,731
Total Ohio Board of Regents				136,744
<i>Passed Through the Ohio Department of Education:</i>				
Career & Technical Education-Basic Grants to States	84.048	2016 2017 2016 2017		35,144 96,336 54,756 248,318
Sub-Total - Basic Grants to States				434,554
Rural Education Grant	84.358	2016 2017		34,226 17,613
Sub-Total - Rural Education				51,839
Title II, Part A - Improving Teacher Quality	84.367	2017		2,047
Total Ohio Department of Education:				488,440
Total U.S Department of Education				1,732,406
Totals				\$1,889,558

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

**ASHTABULA COUNTY TECHNICAL & CAREER CENTER
ASHTABULA COUNTY**

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Ashtabula County Technical and Career Center (the Career Center) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position of the Center.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying Schedule are reported on the cash basis of accounting. The Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E – FEDERAL DIRECT STUDENT LOANS PROGRAM

The amount included on the Schedule represents new loans advanced during the fiscal year ended June 30, 2017. The District is not a direct lender of Federal Direct Student Loans. The amount represents the value of new Federal Direct Student Loans awarded and disbursed to the District's students during the year as follows:

Federal Subsidized Stafford Loans	\$196,769
Federal Unsubsidized Stafford Loans	286,510
Federal Plus Loans	<u>7,899</u>
Total Direct Student Loans	\$491,178



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

Ashtabula County Technical & Career Center
Ashtabula County
1565 State Route 167
Jefferson, Ohio 44047

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula County Technical & Career Center, Ashtabula County, (the Career Center) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Career Center's basic financial statements and have issued our report thereon dated December 29, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Career Center's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Career Center's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Career Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Career 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Career Center's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Career Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Career Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 29, 2017



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Ashtabula County Technical & Career Center
Ashtabula County
1565 State Route 167
Jefferson, Ohio 44047

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Ashtabula County Technical & Career Center (the Career Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Ashtabula County Technical & Career Center's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Career Center's major federal program.

Management's Responsibility

The Career Center's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Career Center's compliance of the Career Center's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Career Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Career Center's major program. However, our audit does not provide a legal determination of the Career Center's compliance.

Opinion on the Major Federal Program

In our opinion, the Ashtabula County Technical & Career Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect the major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The Career Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Career Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Career Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 29, 2017

**ASHTABULA COUNTY TECHNICAL & CAREER CENTER
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR §200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Career and Technical Education CFDA# 84.048
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

ASHTABULA COUNTY TECHNICAL & CAREER CENTER
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017

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

1. **Financial Reporting**

<i>Finding Number</i>	2017-001
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MATERIAL WEAKNESS

Financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Our test of Intergovernmental Receivables noted the following deficiency in the financial statements and the accounting records:

The intergovernmental receivable amount in the Other Local Grants Fund was understated by \$229,952 on the Statement of Net Position. Further, the intergovernmental receivable revenue amount in the Other Local Grants Fund was overstated by \$10,592 and Unavailable Revenue was understated by \$240,544 on the Balance sheet. The error was primarily due to not including earned amounts received outside the available period on the full accrual basis as an intergovernmental receivable on the Statement of Net Position and Balance Sheet.

The failure to accurately record transactions as receivables per Generally Accepted Accounting Principles (GAAP) or in the proper amount can result in a misstatement to the financial statements. The correction has been posted by Treasurer to the financial statements.

We recommend the Treasurer should use GAAP reporting policies and any applicable guidance from the Auditor of State's Office as sources of information regarding the proper recording of receivables.

Official's Response: See Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Jerome R. Brockway, Ph.D.
Superintendent

Mrs. Lindsey M. Elly
Treasurer

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The Treasurer will review the annual GAAP Compilation Report and work papers thoroughly to ensure the accuracy of the statements.	11/28/2018	Lindsey Elly, Treasurer

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ASHTABULA COUNTY TECHNICAL AND CAREER CENTER

ASHTABULA 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
JANUARY 11, 2018