



**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018



Dave Yost • Auditor of State

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY
FOR THE YEAR ENDED JUNE 30, 2018**

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LICKING COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

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 Career and Technology Education Centers, Licking County, Ohio (C-TEC), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise C-TEC'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 C-TEC's 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 C-TEC'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 Career and Technology Education Centers, Licking County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Adult Education Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, C-TEC adopted new accounting guidance in Governmental Accounting Standard (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 C-TEC'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 schedule 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 schedule 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 5, 2018, on our consideration of C-TEC'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 C-TEC'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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

December 5, 2018

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Career and Technology Education Centers of Licking County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018 Unaudited

The discussion and analysis of the Career and Technology Education Centers of Licking County's (C-TEC) financial performance provides an overall review of C-TEC's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at C-TEC's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of C-TEC's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Net position of governmental activities increased \$11,092,242.
- Capital assets decreased \$855,102 primarily due to current year capital asset depreciation in the amount of \$1,259,609 exceeding the current year additions in the amount of \$438,132.
- General revenues accounted for \$16,636,122 or 78 percent of total revenues of \$21,320,908. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$4,684,786, or 22 percent of total revenues.
- C-TEC had \$10,228,666 in expenses related to governmental activities; only \$4,684,786 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues of \$16,636,122 were adequate to provide for these activities.

Using this Annual Financial Report

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

The Statement of Net Position and Statement of Activities provide information about the activities of C-TEC as a whole, presenting both an aggregate view of C-TEC's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at C-TEC's most significant funds with all other non-major funds presented in total in one column.

Reporting C-TEC as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by C-TEC to provide programs and activities for students, the view of C-TEC as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Career and Technology Education Centers of Licking County, Ohio

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Unaudited

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

In the Statement of Net Position and the Statement of Activities, all of C-TEC's activities are reported as governmental including instruction, support services, operation of non-instructional services, extracurricular activities, and debt service.

Reporting C-TEC's Most Significant Funds

Fund Financial Statements

The analysis of C-TEC's major funds begins on page 12. Fund financial reports provide detailed information about C-TEC's major funds. C-TEC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on C-TEC's most significant funds. C-TEC's major governmental funds are the General Fund, Adult Education Special Revenue Fund, and Bond Retirement Debt Service Fund.

Governmental Funds Most of C-TEC's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of C-TEC's general governmental operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

C-TEC as a Whole

Recall that the Statement of Net Position provides the perspective of C-TEC as a whole. Table 1 provides a summary of C-TEC's net position for 2018 compared to 2017.

Career and Technology Education Centers of Licking County, Ohio

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Table 1
Net Position

	Governmental Activities		
	2018	2017	Change
Assets			
Current and Other Assets	\$28,916,641	\$26,358,601	\$2,558,040
Capital Assets	32,836,030	33,691,132	(855,102)
<i>Total Assets</i>	<u>61,752,671</u>	<u>60,049,733</u>	<u>1,702,938</u>
Deferred Outflows of Resources			
Pension	5,524,339	5,030,012	494,327
OPEB	154,383	17,000	137,383
<i>Total Deferred Outflows of Resources</i>	<u>5,678,722</u>	<u>5,047,012</u>	<u>631,710</u>
Liabilities			
Current and Other Liabilities	1,374,491	1,334,095	40,396
Long-Term Liabilities:			
Due Within One Year	2,179,813	2,020,473	159,340
Net Pension Liability	17,006,572	23,818,996	(6,812,424)
Net OPEB Liability	3,711,356	4,775,918	(1,064,562)
Other Amounts Due in More Than One Year	16,226,935	18,457,051	(2,230,116)
<i>Total Liabilities</i>	<u>40,499,167</u>	<u>50,406,533</u>	<u>(9,907,366)</u>
Deferred Inflows of Resources			
Deferred Charge on Refunding	11,046	13,054	(2,008)
Property Taxes/Payment in Lieu of Taxes	8,044,372	8,340,074	(295,702)
Pension	899,195	0	899,195
OPEB	548,287	0	548,287
<i>Total Deferred Inflows of Resources</i>	<u>9,502,900</u>	<u>8,353,128</u>	<u>1,149,772</u>
Net Position			
Net Investment in Capital Assets	15,580,046	14,359,828	1,220,218
Restricted	1,737,035	1,510,703	226,332
Unrestricted (Deficit)	112,245	(9,533,447)	9,645,692
Total Net Position	<u>\$17,429,326</u>	<u>\$6,337,084</u>	<u>\$11,092,242</u>

The net pension liability (NPL) is the largest single liability reported by C-TEC at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, C-TEC adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises the accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of C-TEC's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This

Career and Technology Education Centers of Licking County, Ohio

Management's Discussion and Analysis

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approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal C-TEC's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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, C-TEC is not responsible for certain key factors affecting the balance of these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, C-TEC's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Career and Technology Education Centers of Licking County, Ohio

*Management's Discussion and Analysis
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As a result of implementing GASB 75, C-TEC is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$11,096,002 to \$6,337,084.

Overall current and other assets increased in the amount of \$2,558,040. The increase is mainly due to an increase in cash and cash equivalents in the amount of \$1,910,628 and an increase in property taxes receivable in the amount of \$551,191. The increase in cash and cash equivalents is primarily due to C-TEC's revenues exceeding current expenses. C-TEC is still following guidelines for spending that were developed in fiscal year 2010 when a reduction in force was implemented. The State has continued to fund Career Centers at the same level as fiscal year 2011 for fiscal years 2012 and 2013, at fiscal year 2013 funding levels for fiscal years 2014 and 2015, and at fiscal year 2015 funding levels for fiscal years 2016-2018. This stable level of State funding and the reduction in force implemented by C-TEC has allowed cash and cash equivalents to increase each year for fiscal years 2012 through 2018. Property taxes receivable increased due to increases in the assessed valuations.

The \$855,102 decrease in capital assets is primarily due to current year depreciation in the amount of \$1,259,609 exceeding current year capital asset additions in the amount of \$438,132.

Current and other liabilities increased in the amount of \$40,396 from fiscal year 2017 to fiscal year 2018 due primarily to an increase in accounts payable. The long-term liabilities due within one year increased \$159,340 for fiscal year 2018 due to an increase in principal payments maturing within one year as of 2018 fiscal year end as compared to fiscal year 2017. Long-term liabilities due in more than one year decreased \$2,230,116 primarily due to fiscal year 2018 debt principal payments in the amount of \$1,983,334 and bond premium amortization in the amount of \$67,698. Compensated absences reflect a decrease of \$19,744 in fiscal year 2018. See Note 14 for additional information concerning long-term liabilities.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018, and comparisons to fiscal year 2017.

**Table 2
Changes in Net Position**

	Governmental Activities		
	2018	2017	Change
Revenues			
Program Revenues			
Charges for Services	\$2,667,947	\$2,461,481	\$206,466
Operating Grants, Contributions and Interest	2,016,839	1,905,596	111,243
<i>Total Program Revenues</i>	<u>4,684,786</u>	<u>4,367,077</u>	<u>317,709</u>
General Revenue			
Property Taxes	10,927,656	9,357,328	1,570,328
Gain on Sale of Capital Asset	4,768	0	4,768
Payment in Lieu of Taxes	34,175	0	34,175
Grants and Entitlements	5,513,628	5,270,496	243,132
Investment Earnings	102,866	90,086	12,780
Miscellaneous	53,029	112,196	(59,167)
<i>Total General Revenue</i>	<u>16,636,122</u>	<u>14,830,106</u>	<u>1,806,016</u>
<i>Total Revenues</i>	<u>\$21,320,908</u>	<u>\$19,197,183</u>	<u>\$2,123,725</u>

(Continued)

Career and Technology Education Centers of Licking County, Ohio

Management's Discussion and Analysis

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Table 2
Changes in Net Position (Continued)

	Governmental Activities		
	2018	2017	Change
Program Expenses			
Instruction			
Regular	\$244,749	\$361,912	(\$117,163)
Special	236,808	725,066	(488,258)
Vocational	3,177,526	6,265,901	(3,088,375)
Adult/Continuing	1,282,075	2,903,386	(1,621,311)
Support Services			
Pupils	510,391	720,898	(210,507)
Instructional Staff	1,065,360	1,668,071	(602,711)
Board of Education	23,912	28,141	(4,229)
Administration	205,844	1,113,339	(907,495)
Fiscal	372,589	468,361	(95,772)
Business	322,612	317,645	4,967
Operation and Maintenance of Plant	1,668,388	1,731,992	(63,604)
Pupil Transportation	1,231	3,547	(2,316)
Central	147,560	290,035	(142,475)
Operation of Non-Instructional Services			
Food Service Operations	199,951	209,251	(9,300)
Other	47,574	46,455	1,119
Extracurricular Activities	89,114	88,489	625
Interest and Fiscal Charges	632,982	703,892	(70,910)
<i>Total Expenses</i>	<u>10,228,666</u>	<u>17,646,381</u>	<u>(7,417,715)</u>
<i>Change in Net Position</i>	11,092,242	1,550,802	9,541,440
<i>Net Position Beginning of Year</i>	6,337,084	N/A	
Net Position End of Year	<u><u>\$17,429,326</u></u>	<u><u>\$6,337,084</u></u>	<u><u>\$11,092,242</u></u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$17,000 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$626,797. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$10,228,666
Negative OPEB expense under GASB 75	626,797
2018 contractually required contribution	<u>26,861</u>
Adjusted 2018 program expenses	10,882,324
Total 2017 program expenses under GASB 45	<u>17,646,381</u>
Decrease in program expenses not related to OPEB	<u><u>(\$6,764,057)</u></u>

Career and Technology Education Centers of Licking County, Ohio

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The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS also decreased their COLA assumption. (See Note 12) As a result of these changes, pension expense decreased from \$2,117,391 in fiscal year 2017 to a negative pension expense of \$5,217,821 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	<u>2018 Program Expenses Related to Negative Pension Expense</u>
Instruction:	
Regular	(\$64,830)
Special	(348,106)
Vocational	(2,252,295)
Adult/Continuing	(1,168,635)
Support Services:	
Pupils	(115,563)
Instructional Staff	(401,000)
Board of Education	(914)
Administration	(658,962)
Fiscal	(23,934)
Operation and Maintenance of Plant	(57,611)
Pupil Transportation	(280)
Central	(118,971)
Operation of Non-Instructional Services:	
Food Service Operations	(6,720)
Total Expenses	<u><u>(\$5,217,821)</u></u>

C-TEC's net position increased \$11,092,242. Revenues increased in the amount of \$2,123,725 during fiscal year 2018 when compared to fiscal year 2017. Operating grants, contributions, and interest and grants and entitlements both increased during fiscal year 2018 due to increases in State and federal grants. The increase in charges for services in the amount of \$206,466 was attributed to C-TEC's increase in the following areas due to increased student activities: tuition and fees, extracurricular activities, rentals, and charges for services. Investment earnings increased \$12,780 due to C-TEC experiencing an increase in cash that was available to be invested compared to fiscal year 2017. The majority of the revenues increase was in property taxes due to a slight reduction in delinquent taxes, an increase in assessed valuations, and due to the Licking County Auditor certifying a higher amount available as of June 30, 2018 due to an increase in early tax collections compared to fiscal year 2017.

Instructional programs comprise approximately 48 percent of total governmental program expenses. Of the instructional expenses, approximately 5 percent is for regular instruction, 5 percent for special instruction, 64 percent for vocational instruction, and 26 percent for adult/continuing instruction. Support services comprise approximately 42 percent of total governmental program expenses.

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

Career and Technology Education Centers of Licking County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

**Table 3
Governmental Activities**

	2018 Total Cost of Services	2018 Net Cost of Services	2017 Total Cost of Services	2017 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$244,749	\$129,603	\$361,912	\$247,435
Special	236,808	(144,537)	725,066	306,444
Vocational	3,177,526	2,844,126	6,265,901	5,977,879
Adult/Continuing	1,282,075	(1,148,194)	2,903,386	769,438
Support Services:				
Pupils	510,391	276,762	720,898	453,081
Instructional Staff	1,065,360	770,220	1,668,071	1,353,455
Board of Education	23,912	23,912	28,141	28,141
Administration	205,844	48,756	1,113,339	982,933
Fiscal	372,589	372,589	468,361	468,361
Business	322,612	46,822	317,645	54,810
Operation and Maintenance of Plant	1,668,388	1,657,414	1,731,992	1,727,709
Pupil Transportation	1,231	1,231	3,547	3,547
Central	147,560	(37,954)	290,035	120,067
Operation of Non-Instructional Services				
Food Service Operations	199,951	(47,596)	209,251	(38,111)
Other	47,574	47,574	46,455	46,455
Extracurricular Activities	89,114	70,170	88,489	73,768
Interest and Fiscal Charges	632,982	632,982	703,892	703,892
Totals	<u>\$10,228,666</u>	<u>\$5,543,880</u>	<u>\$17,646,381</u>	<u>\$13,279,304</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For 2018, only 46 percent of the governmental activities performed by C-TEC are supported through program revenues such as charges for services, grants, and contributions. The remaining 54 percent is provided through taxes and entitlements.

C-TEC Funds

C-TEC's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$21,281,674, expenditures of \$18,537,057, and other financing sources (uses) of \$38,393.

General Fund

The fund balance of the General Fund at June 30, 2018 is \$15,465,949, an increase of \$1,951,283 from fiscal year 2017. The majority of the increase is the result of C-TEC's Board of Education continuing to follow cost saving measures implemented during fiscal year 2010 that have continued through 2018. The Board of Education was aware of the financial stress that C-TEC was experiencing and as a result, implemented several cost saving measures which included a reduction in force which was approved on March 25, 2010. In addition, the State continued to provide stable funding levels over the years since fiscal year 2011. The savings from the reduction in force beginning in fiscal year 2011 and the continued level of State funding have resulted in continual increases in the General Fund's fund balance since fiscal

Career and Technology Education Centers of Licking County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited*

year 2010. Property tax revenue reflects an increase during fiscal year 2018 due to an increase in property tax collections and a slight decrease in delinquent taxes.

Other Governmental Major Funds

Adult Education Fund

The fund balance of the Adult Education Special Revenue Fund at June 30, 2018 is \$584,250, a decrease of \$122,937 from the prior year. The decrease is due primarily to a slight decrease in tuition and fees revenue due to decreases in adult education class enrollment and an increase in the cost of services.

Bond Retirement Fund

The fund balance of the Bond Retirement Debt Service Fund at June 30, 2018 is \$1,500,684, an increase of \$329,100 from the prior year.

General Fund Budgeting Highlights

C-TEC's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2018, C-TEC's original appropriations increased by \$724,789 to a final appropriations amount of \$13,923,769 (including other financing uses). C-TEC also found it necessary to reallocate appropriations between functions throughout the year. Final Appropriations exceeded actual expenditures and transfers out by \$883,565. C-TEC received \$75,518 more in revenues, excluding other financing sources, than what was expected during fiscal year 2018. Actual revenue, excluding other financing sources, was \$14,266,650 compared to final estimates of \$14,191,132. The C-TEC's ending General Fund budgetary balance was \$14,365,931.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, C-TEC had \$32,836,030 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2018 balances compared to 2017.

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

	<u>Government Activities</u>	
	2018	2017
Land	\$107,951	\$107,951
Construction in Progress	40,998	244,073
Land Improvements	9,951	10,848
Buildings and Improvements	29,766,796	30,309,052
Furniture and Equipment	2,739,124	2,894,005
Vehicles	171,210	125,203
Totals	\$32,836,030	\$33,691,132

See Note 9 for additional information regarding capital assets.

Career and Technology Education Centers of Licking County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

Debt

At June 30, 2018, C-TEC had \$17,780,332 in bonded debt outstanding (including premiums), with \$2,138,333 being due within one year.

Table 5
Outstanding Debt at June 30

	<u>Government Activities</u>	
	<u>2018</u>	<u>2017</u>
Construction and Equipment Long-Term Loan	\$33,333	\$66,667
School Facilities Improvement Refunding Bonds	11,464,310	13,270,173
Various Purpose and Judgement Bonds	3,390,503	3,592,849
School Facilities Construction and Improvement Refunding Bonds	2,892,186	2,901,675
Totals	\$17,780,332	\$19,831,364

See Note 14 for more detailed information of C-TEC's debt. The net pension liability under GASB 68 and the net OPEB liability under GASB 75 are also reported as long-term obligations that have been previously disclosed within the management's discussion and analysis.

Economic Factors

Fiscal year 2018 is the ninth consecutive year that C-TEC has avoided deficit spending, allowing the General Fund balance to grow from \$862,797 at June 30, 2009 to over \$15.5 million as of June 30, 2018. C-TEC continues to prudently manage the resources given by the local taxpayers and continues to benefit from the State guaranteeing the level of State funding C-TEC receives.

C-TEC's fund balance has increased significantly in a short period of time due to reductions made, but also in part due to State funding that is based on a much higher enrollment than what C-TEC currently has. Because of this, it is important for C-TEC to continue to spend tax dollars it receives as efficiently as possible so that it can absorb any change in State funding it receives as well as be able to pay off the remaining \$4.31 million in outstanding general obligation debt (principal and interest) from the 2010 Various Purpose Bonds which are being retired through tax revenue allocations from the General Fund to the Bond Retirement Debt Service Fund.

Contacting C-TEC's Financial Management

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

**BASIC
FINANCIAL
STATEMENTS**

Career and Technology Education Centers of Licking County

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$17,947,934
Cash and Cash Equivalents in Segregated Accounts	16,823
Accounts Receivable	235,629
Intergovernmental Receivable	317,844
Prepaid Items	72,596
Accrued Interest Receivable	44,064
Inventory Held for Resale	938
Materials and Supplies Inventory	3,825
Payment in Lieu of Taxes Receivable	69,414
Property Taxes Receivable	10,207,574
Nondepreciable Capital Assets	148,949
Depreciable Capital Assets, Net	32,687,081
<i>Total Assets</i>	<u>61,752,671</u>
Deferred Outflows of Resources	
Pension	5,524,339
OPEB	154,383
<i>Total Deferred Outflows of Resources</i>	<u>5,678,722</u>
Liabilities	
Matured Compensated Absences	26,227
Accounts Payable	141,343
Accrued Wages and Benefits	743,247
Accrued Interest Payable	53,150
Intergovernmental Payable	230,007
Vacation Benefit Payable	180,517
Long-Term Liabilities:	
Due Within One Year	2,179,813
Due In More Than One Year:	
Net Pension Liability (See Note 12)	17,006,572
Net OPEB Liability (See Note 13)	3,711,356
Other Amounts Due in More Than One Year	16,226,935
<i>Total Liabilities</i>	<u>40,499,167</u>
Deferred Inflows of Resources	
Deferred Charge on Refunding	11,046
Property Taxes	7,974,958
Payment in Lieu of Taxes	69,414
Pension	899,195
OPEB	548,287
<i>Total Deferred Inflows of Resources</i>	<u>9,502,900</u>
Net Position	
Net Investment in Capital Assets	15,580,046
Restricted for:	
Debt Service	954,987
Adult Education	525,403
Other Purposes	256,645
Unrestricted	112,245
<i>Total Net Position</i>	<u>\$17,429,326</u>

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County

Statement of Activities

For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$244,749	\$0	\$115,146	(\$129,603)
Special	236,808	0	381,345	144,537
Vocational	3,177,526	333,400	0	(2,844,126)
Adult/Continuing	1,282,075	1,780,821	649,448	1,148,194
Support Services:				
Pupils	510,391	5,300	228,329	(276,762)
Instructional Staff	1,065,360	183,950	111,190	(770,220)
Board of Education	23,912	0	0	(23,912)
Administration	205,844	129,269	27,819	(48,756)
Fiscal	372,589	0	0	(372,589)
Business	322,612	0	275,790	(46,822)
Operation and Maintenance of Plant	1,668,388	10,974	0	(1,657,414)
Pupil Transportation	1,231	0	0	(1,231)
Central	147,560	62,844	122,670	37,954
Operation of Non-Instructional Services:				
Food Service Operations	199,951	142,445	105,102	47,596
Other Non-Instructional Services	47,574	0	0	(47,574)
Extracurricular Activities	89,114	18,944	0	(70,170)
Interest and Fiscal Charges	632,982	0	0	(632,982)
Totals	\$10,228,666	\$2,667,947	\$2,016,839	(5,543,880)
General Revenues				
Property Taxes Levied for:				
				8,531,511
				2,396,145
				4,768
				34,175
				5,513,628
				102,866
				53,029
				<u>16,636,122</u>
				Change in Net Position 11,092,242
				Net Position Beginning of Year -
				Restated (See Note 3) <u>6,337,084</u>
				<u>Net Position End of Year \$17,429,326</u>

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County

Balance Sheet

Governmental Funds

June 30, 2018

	General	Adult Education	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$14,667,220	\$433,691	\$1,078,409	\$1,759,024	\$17,938,344
Cash and Cash Equivalents in Segregated Accounts	16,823	0	0	0	16,823
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	9,590	0	0	0	9,590
Accounts Receivable	31,037	204,592	0	0	235,629
Interfund Receivable	111,629	342	0	3,471	115,442
Intergovernmental Receivable	37,540	68,039	713	211,552	317,844
Accrued Interest Receivable	44,064	0	0	0	44,064
Prepaid Items	53,290	18,510	0	796	72,596
Inventory Held for Resale	0	0	0	938	938
Materials and Supplies Inventory	3,078	0	0	747	3,825
Property Taxes Receivable	8,036,520	0	2,171,054	0	10,207,574
Payment in Lieu of Taxes Receivable	67,988	0	1,426	0	69,414
<i>Total Assets</i>	<u>\$23,078,779</u>	<u>\$725,174</u>	<u>\$3,251,602</u>	<u>\$1,976,528</u>	<u>\$29,032,083</u>
Liabilities					
Accounts Payable	\$124,730	\$12,535	\$0	\$4,078	\$141,343
Accrued Wages and Benefits	677,735	44,515	0	20,997	743,247
Matured Compensated Absences	26,227	0	0	0	26,227
Interfund Payable	3,521	0	0	111,921	115,442
Intergovernmental Payable	166,153	48,453	0	15,401	230,007
<i>Total Liabilities</i>	<u>998,366</u>	<u>105,503</u>	<u>0</u>	<u>152,397</u>	<u>1,256,266</u>
Deferred Inflows of Resources					
Property Taxes	6,283,422	0	1,691,536	0	7,974,958
Payment in Lieu of Taxes	67,988	0	1,426	0	69,414
Unavailable Revenue	263,054	35,421	57,956	38,470	394,901
<i>Total Deferred Inflows of Resources</i>	<u>6,614,464</u>	<u>35,421</u>	<u>1,750,918</u>	<u>38,470</u>	<u>8,439,273</u>
Fund Balances					
Nonspendable	65,958	18,510	0	1,543	86,011
Restricted	0	565,740	1,500,684	207,042	2,273,466
Committed	376	0	0	1,577,624	1,578,000
Assigned	332,403	0	0	0	332,403
Unassigned (Deficit)	15,067,212	0	0	(548)	15,066,664
<i>Total Fund Balances</i>	<u>15,465,949</u>	<u>584,250</u>	<u>1,500,684</u>	<u>1,785,661</u>	<u>19,336,544</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$23,078,779</u>	<u>\$725,174</u>	<u>\$3,251,602</u>	<u>\$1,976,528</u>	<u>\$29,032,083</u>

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County
Reconciliation of Total Governmental Funds Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		\$19,336,544
 <i>Amounts reported for governmental activities in the statement of net position are different because of the following:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		32,836,030
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources - unavailable revenue in the funds:		
Property Taxes Receivable	268,924	
Accrued Interest Receivable	28,655	
Tuition and Fees	57,495	
Intergovernmental Receivable	39,827	394,901
Vacation Benefits Payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(180,517)
Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accrual that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(53,150)
Deferred inflows of resources represent deferred charge on refunding which is not reported in the funds.		(11,046)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Long-Term Loans Payable	(33,333)	
Current Interest Serial Refunding Bonds Payable	(11,185,000)	
Premium on Current Interest Serial Refunding Bonds	(279,310)	
General Obligation Bonds	(3,360,000)	
General Obligation Bonds Premium	(30,503)	
Refunding Serial Bonds Payable	(2,840,000)	
Premium on Refunding Serial Bonds	(52,186)	
Compensated Absences	(626,416)	(18,406,748)
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 the governmental funds:		
Deferred Outflows - Pension	5,524,339	
Deferred Outflows - OPEB	154,383	
Net Pension Liability	(17,006,572)	
Net OPEB Liability	(3,711,356)	
Deferred Inflows - Pension	(899,195)	
Deferred Inflows - OPEB	(548,287)	(16,486,688)
Net Position of Governmental Activities		\$17,429,326

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Adult Education	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$8,562,145	\$0	\$2,406,874	\$0	\$10,969,019
Payment in Lieu of Taxes	33,994	0	181	0	34,175
Intergovernmental	5,893,616	419,808	275,790	918,772	7,507,986
Interest	73,444	0	218	10,235	83,897
Tuition and Fees	263,747	2,113,502	0	0	2,377,249
Extracurricular Activities	13,261	0	0	18,944	32,205
Rentals	10,974	0	0	0	10,974
Charges for Services	70,695	0	0	142,445	213,140
Miscellaneous	52,071	1,059	713	(814)	53,029
Total Revenues	14,973,947	2,534,369	2,683,776	1,089,582	21,281,674
Expenditures					
Current:					
Instruction:					
Regular	80,589	0	0	115,462	196,051
Special	694,654	0	0	0	694,654
Vocational	5,715,802	0	0	0	5,715,802
Adult/Continuing	365	2,494,881	0	212,878	2,708,124
Support Services:					
Pupils	451,901	0	0	228,958	680,859
Instructional Staff	1,140,976	200,015	0	105,398	1,446,389
Board of Education	21,623	0	0	0	21,623
Administration	902,102	146,924	0	26,193	1,075,219
Fiscal	425,873	0	0	0	425,873
Business	219,308	0	33,356	0	252,664
Operation and Maintenance of Plant	1,817,055	0	0	0	1,817,055
Pupil Transportation	1,952	0	0	0	1,952
Central	96,825	71,515	0	120,362	288,702
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	231,638	231,638
Other Non-Instructional Services	47,574	0	0	0	47,574
Extracurricular Activities	67,627	0	0	21,487	89,114
Capital Outlay	0	0	0	151,642	151,642
Debt Service:					
Principal Retirement	33,334	0	1,950,000	0	1,983,334
Interest and Fiscal Charges	0	0	708,788	0	708,788
Total Expenditures	11,717,560	2,913,335	2,692,144	1,214,018	18,537,057
Excess of Revenues Over (Under) Expenditures:	3,256,387	(378,966)	(8,368)	(124,436)	2,744,617
Other Financing Sources (Use)					
Proceeds from Sale of Capital Assets	20,755	17,638	0	0	38,393
Transfers In	0	238,391	337,468	750,000	1,325,859
Transfers Out	(1,325,859)	0	0	0	(1,325,859)
Total Other Financing Sources (Use)	(1,305,104)	256,029	337,468	750,000	38,393
Net Change in Fund Balances	1,951,283	(122,937)	329,100	625,564	2,783,010
Fund Balances Beginning of Year	13,514,666	707,187	1,171,584	1,160,097	16,553,534
Fund Balances End of Year	<u>\$15,465,949</u>	<u>\$584,250</u>	<u>\$1,500,684</u>	<u>\$1,785,661</u>	<u>\$19,336,544</u>

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

Net Change in Fund Balances - Total Governmental Funds \$2,783,010

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	438,132	
Depreciation Expense	(1,259,609)	(821,477)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the result of the disposal of assets.

Gain on the Sale of Capital Assets	4,768	
Proceeds from Sale of Capital Assets	(38,393)	(33,625)

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

Delinquent Property Taxes	(41,363)	
Interest	18,969	
Intergovernmental	22,481	
Tuition and Fees	34,379	34,466

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

Vacation Benefits Payable	(10,230)	
Compensated Absences	19,744	9,514

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

Premium Amortization	67,698	
Accrued Interest Payable	6,100	73,798

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

Long-Term Loans	33,334	
General Obligation Bonds	1,950,000	1,983,334

The difference between the net carrying amount of the refunded debt and the acquisition price is allocated over the life of the outstanding debt on the statement of activities. 2,008

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension		1,189,735
OPEB		26,861

Except for amounts reported as deferred inflows/outflows, changes in net pension/OPEB liability are reported as pension expense in the statement of activities.

Pension		5,217,821
OPEB		626,797

Change in Net Position of Governmental Activities \$11,092,242

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County

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

For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$7,291,553	\$7,830,735	\$7,825,553	(\$5,182)
Payment in Lieu of Taxes	28,080	30,752	33,994	3,242
Intergovernmental	5,464,192	5,868,786	5,924,976	56,190
Interest	233,474	240,000	283,058	43,058
Tuition and Fees	123,910	133,073	138,644	5,571
Charges for Services	15,000	15,000	0	(15,000)
Rent	9,911	10,644	10,724	80
Miscellaneous	47,833	62,142	49,701	(12,441)
<i>Total Revenues</i>	<u>13,213,953</u>	<u>14,191,132</u>	<u>14,266,650</u>	<u>75,518</u>
Expenditures				
Current:				
Instruction:				
Regular	89,103	90,006	78,696	11,310
Special	699,624	700,074	691,261	8,813
Vocational	5,543,813	6,007,179	5,602,048	405,131
Support Services:				
Pupils	450,646	450,759	444,159	6,600
Instructional Staff	1,208,706	1,213,613	1,117,325	96,288
Board of Education	24,021	24,985	21,844	3,141
Administration	891,255	952,844	936,901	15,943
Fiscal	416,501	420,136	426,277	(6,141)
Business	228,598	249,437	237,775	11,662
Operation and Maintenance of Plant	1,976,605	2,110,191	1,902,377	207,814
Pupil Transportation	1,210	2,045	2,400	(355)
Central	168,249	197,477	106,188	91,289
Non-Instructional Services	41,733	46,107	45,931	176
Extracurricular Activities	75,582	75,582	67,829	7,753
Debt Service:				
Principal Retirement	33,334	33,334	33,334	0
<i>Total Expenditures</i>	<u>11,848,980</u>	<u>12,573,769</u>	<u>11,714,345</u>	<u>859,424</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,364,973</u>	<u>1,617,363</u>	<u>2,552,305</u>	<u>934,942</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	-	20,272	20,272	0
Advances In	0	0	3,438	3,438
Advances Out	0	0	(1,253)	(1,253)
Transfers Out	(1,350,000)	(1,350,000)	(1,325,859)	24,141
<i>Total Other Financing Sources (Uses)</i>	<u>(1,350,000)</u>	<u>(1,329,728)</u>	<u>(1,303,402)</u>	<u>26,326</u>
<i>Net Change in Fund Balance</i>	14,973	287,635	1,248,903	961,268
<i>Fund Balance Beginning of Year</i>	12,918,048	12,918,048	12,918,048	0
Prior Year Encumbrances Appropriated	198,980	198,980	198,980	0
<i>Fund Balance End of Year</i>	<u>\$13,132,001</u>	<u>\$13,404,663</u>	<u>\$14,365,931</u>	<u>\$961,268</u>

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County

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

Adult Education Fund

For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$382,000	\$392,000	\$416,988	\$24,988
Tuition and Fees	2,296,486	2,235,610	2,239,564	3,954
Rent	2,500	2,500	0	(2,500)
Miscellaneous	0	0	966	966
<i>Total Revenues</i>	<u>2,680,986</u>	<u>2,630,110</u>	<u>2,657,518</u>	<u>27,408</u>
Expenditures				
Current:				
Instruction:				
Adult/Continuing	2,622,790	2,738,702	2,504,767	233,935
Support Services:				
Instructional Staff	199,130	205,477	203,825	1,652
Administration	142,680	147,580	146,980	600
Central	84,374	84,374	84,260	114
Non-Instructional Services	500	500	0	500
<i>Total Expenditures</i>	<u>3,049,474</u>	<u>3,176,633</u>	<u>2,939,832</u>	<u>236,801</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(368,488)</u>	<u>(546,523)</u>	<u>(282,314)</u>	<u>264,209</u>
Other Financing Sources				
Proceeds from Sale of Capital Assets	5,000	17,480	17,638	158
Transfers In	271,000	235,977	238,391	2,414
<i>Total Other Financing Sources</i>	<u>276,000</u>	<u>253,457</u>	<u>256,029</u>	<u>2,572</u>
<i>Net Change in Fund Balance</i>	<u>(92,488)</u>	<u>(293,066)</u>	<u>(26,285)</u>	<u>266,781</u>
<i>Fund Balance Beginning of Year</i>	427,446	427,446	427,446	0
Prior Year Encumbrances Appropriated	13,474	13,474	13,474	0
<i>Fund Balance End of Year</i>	<u>\$348,432</u>	<u>\$147,854</u>	<u>\$414,635</u>	<u>\$266,781</u>

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

	Private Purpose	
	Trust	
	Scholarship	Agency
Assets		
Cash and Cash Equivalents	\$55,134	\$3,827,850
<i>Total Assets</i>	<u>55,134</u>	<u>\$3,827,850</u>
Liabilities		
Due to Students	0	\$67,080
Undistributed Monies	0	3,760,770
<i>Total Liabilities</i>	<u>0</u>	<u>\$3,827,850</u>
Net Position		
Held in Trust for Scholarships	55,134	
<i>Total Net Position</i>	<u>\$55,134</u>	

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2018

	Scholarship
Additions	
Interest	\$257
Contributions and Donations	13,370
<i>Total Additions</i>	13,627
Deductions	
Payments in Accordance with Trust Agreements	15,956
<i>Change in Net Position</i>	(2,329)
<i>Net Position Beginning of Year</i>	57,463
<i>Net Position End of Year</i>	\$55,134
See accompanying notes to the basic financial statements	

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 1 – Description of the Career and Technology Education Centers of Licking County and Reporting Entity

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

C-TEC operates under a seven-member Board of Education and is responsible for the provision of public education to residents of C-TEC. The Board of Education of C-TEC is not directly elected. The Board is made up from members of the elected boards of the participating school districts and the Licking County Educational Service Center. C-TEC is staffed by 8 administrators, 118 non-certificated full and part-time employees, and 229 certificated full and part-time teaching personnel who provide services to 750 students and other community members. C-TEC currently operates 4 buildings.

Reporting Entity

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

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

C-TEC is associated with two jointly governed organizations and two insurance purchasing pools. These organizations are the Licking Area Computer Association, the Metropolitan Educational Technology Association, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Southwestern Ohio Educational Purchasing Council Property, Fleet, and Liability Program, which are presented in Notes 17 and 18 to the basic financial statements.

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

C-TEC's basic financial statement consists of government-wide financial 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 C-TEC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of C-TEC that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). C-TEC has no business-type activities.

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

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

Fund Accounting

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

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

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

The other governmental funds of C-TEC account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

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

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

Basis of Accounting

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

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

Deferred 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, represent 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 C-TEC, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows or resources related to pension and OPEB plans are explained in Notes 12 and 13.

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 C-TEC, deferred inflows of resources include deferred charge on refunding, property taxes, unavailable revenue, pension, and OPEB plans. Deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, 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 C-TEC, unavailable revenue includes delinquent property taxes, interest earnings, student tuition, and intergovernmental grants. 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 balance to net position of governmental activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13)

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

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

During fiscal year 2018, C-TEC's investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), negotiable certificates of deposit, commercial paper, money market mutual funds, and federal agency securities.

Except for nonparticipating investment contracts, C-TEC reports investments at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit and money market accounts are reported at cost. During fiscal year 2018, C-TEC did not invest in nonnegotiable certificates of deposit.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." C-TEC measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates; however, 24 hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 2018 amounted to \$73,444 which includes \$18,482 assigned from other funds of C-TEC.

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Inventory

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

Capital Assets

All capital assets of the Center are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. C-TEC's capitalization threshold is five thousand dollars. C-TEC does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position. On the statements, receivables and payables between the primary government and the fiduciary funds, for which C-TEC is the fiscal agent, for services rendered are presented as external party receivables and external party payables.

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Compensated Absences

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

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

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

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

On the governmental funds financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be made.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. See Note 16 for additional information regarding set asides.

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities and long-term liabilities 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 judgements, compensated absences, 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 pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds, long-term loans, and capital leases are recognized as a liability on the fund financial statements when due.

Internal Activity

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

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

Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, prepaids, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by State constitution or external resource providers. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation (C-TEC Board of resolutions).

Enabling legislation authorizes C-TEC to assess, levy, charge, or otherwise mandates payment of resources (from external resources providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that C-TEC can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by C-TEC for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by C-TEC Board of Education or by State statute. In the general fund, assigned amounts represent intended uses

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

established by policies of C-TEC's Board of Education or a C-TEC official delegated that authority by resolution or by State Statute. State statute authorizes C-TEC's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. C-TEC's Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in fiscal year 2019's appropriated budget.

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

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

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 either through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes includes resources restricted for extracurricular programs and state and federal grants restricted to expenditures for specified purposes.

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

Extraordinary and Special Items

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

Estimates

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

Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget is required under the Ohio Revised Code; however this requirement is waived by the Licking County Budget Commission (Budget Commission). The Budget Commission accepts C-TEC's five year forecast in place of the tax budget. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

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

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium. On the governmental fund financial statements, bond premiums are recorded in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. For C-TEC, this deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred inflows of resources on the statement of net position.

Note 3 – Changes in Accounting Principle and Restatement of Net Position

For fiscal year 2018, C-TEC implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, C-TEC also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in C-TEC's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in C-TEC's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	\$11,096,002
Adjustments:	
Net OPEB Liability	(4,775,918)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>17,000</u>
Restated Net Position June 30, 2017	<u><u>\$6,337,084</u></u>

Other than employer contributions subsequent to the measurement date, C-TEC made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 – Accountability

The following funds had deficit fund balance as of June 30, 2018:

	<u>Deficit Fund Balance</u>
<u>Special Revenue Fund:</u>	
Other Grants	(\$548)

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

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Cash in segregated accounts and prepaid items are reported on the balance sheet (GAAP basis) but not on the budgetary basis.
4. Encumbrances are treated as expenditures (budget) rather than committed or assigned fund balance (GAAP).

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

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5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

	<u>General</u>	<u>Adult Education</u>
GAAP Basis	\$1,951,283	(\$122,937)
Net Adjustment for Revenue Accruals	(779,506)	123,149
Net Adjustment for Expenditure Accruals	106,370	(5,327)
Beginning of Fiscal Year:		
Segregated Accounts	470	0
Prepaid Items	50,689	15,396
Negative Cash Advances	(27,430)	0
Fair Value Adjustment for Investments	12,116	0
End of Fiscal Year:		
Segregated Accounts	(16,823)	0
Prepaid Items	(53,290)	(18,510)
Unrecorded Cash	(1,137)	0
Negative Cash Advances	109,301	0
Fair Value Adjustment for Investments	206,378	0
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types	(19,191)	0
Advances In	3,438	0
Advances Out	(1,253)	0
Adjustment for Encumbrances	(292,512)	(18,056)
Budget Basis	<u>\$1,248,903</u>	<u>(\$26,285)</u>

Note 6 – Deposits and Investments

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

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

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

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.

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For the Fiscal Year Ended June 30, 2018

Protection of C-TEC's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by C-TEC can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions 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 (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time 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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of C-TEC, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. At year end, C-TEC had \$1,517 in undeposited cash on hand which is included in the financial statements of C-TEC as part of "Equity in Pooled Cash and Cash Equivalents."

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Investments Investments are reported at fair value. As of June 30, 2018, C-TEC had the following investments.

Measurement/Investment	Measurement Amount	Maturity	Moody Ratings	Percentage of Total Investment
Net Asset Value (NAV) Per Share:				
STAR Ohio	3,012,918	Average 48.9 Days	n/a	18.56%
Total Net Asset Value (NAV)	<u>3,012,918</u>			
Fair Value - Level One Input:				
Money Market Mutual Funds	33,460	Less than one year	n/a	0.21%
Total Fair Value - Level One Input	<u>33,460</u>			
Fair Value - Level Two Inputs:				
Federal Home Loan Mortgage Corporation Notes	3,227,215	Less than five years	Aaa	19.88
Federal National Mortgage Association Notes	760,760	Less than three years	Aaa	4.69
Federal Home Loan Bank Notes	339,567	Less than five years	Aaa	2.09
Federal Farm Credit Bank Notes	491,774	Less than five years	Aaa	3.03
Commercial Paper	1,548,598	Less than one year	n/a	9.54
Negotiable Certificates of Deposit	6,818,639	Less than five years	n/a	42.00
Total Fair Value - Level Two Inputs	<u>13,186,553</u>			
Total	<u>\$16,232,931</u>			

C-TEC 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 C-TEC's recurring fair value measurements as of June 30, 2018. The money market mutual funds are measured at fair value and is valued using quoted market prices (Level 1 inputs). C-TEC'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 C-TEC's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which he/she does not reasonably believe can be held until the maturity date. The stated intent of the policy is to avoid the need to sell securities prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of C-TEC, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk The credit ratings for C-TEC securities are listed above. C-TEC has no deposit policy for custodial risk beyond the requirements of State statute.

Concentration of Credit Risk C-TEC places no limit on the amount it may invest in any one issuer.

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

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Note 7 – Property Taxes and Tax Abatements

Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in C-TEC. Real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Public utility real property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility personal property currently is assessed at varying percentages of true value.

C-TEC receives property taxes from Licking, Delaware, Fairfield, Franklin, Muskingum, and Knox Counties. The County Auditor from each county periodically advances to C-TEC its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018 are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources for property taxes.

The amount available as an advance at June 30, 2018, was \$1,963,692, \$1,542,130 was available to the General Fund and \$421,562 was available to the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2017, was \$1,006,022, \$805,538 was available to the General Fund and \$200,484 was available to the Bond Retirement Debt Service Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$3,871,225,901	94.26%	\$4,281,884,988	94.09%
Public Utility Personal	235,605,810	5.74%	268,858,450	5.91%
	<u>\$4,106,831,711</u>	<u>100.00%</u>	<u>\$4,550,743,438</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$2.57		\$2.55

The millage decreased from \$2.57 per \$1,000 of assessed valuation to \$2.55 due to an adjustment in the bond levy rates. Tax rates are adjusted according to the amount needed for the retirement of debt service.

Tax Abatements

C-TEC property taxes were reduced as follows under Community Reinvestment Area agreements and Enterprise Zone agreements entered into by overlapping governments:

Overlapping Government	Amount of Fiscal Year 2018 Taxes Abated
<i>Community Reinvestment Areas:</i>	
Newark City School District area located in Newark City	\$22,042
Lakewood Local School District area located in Village of Hebron	8,428
Lakewood Local School District area located in Union Township	1,153
Heath City School District area located in Heath City	26,465
Southwest Licking Local School District area located in Etna Township	119,085
Licking Heights Local School District area located in the City of Reynoldsburg	9,706
Licking Heights Local School District area located in the City of Pataskala	12
Johnstown Local School District area located in the Village of Johnstown	3,242
<i>Total Community Reinvestment Areas</i>	<u>190,133</u>
<i>Enterprise Zones:</i>	
Village of Etna	29,028
City of Reynoldsburg	8,435
Union Township	352
<i>Total Enterprise Zone Agreements</i>	<u>37,815</u>
Total Tax Abatements	<u>\$227,948</u>

Note 8 - Receivables

Receivables at June 30, 2018 consisted of property taxes, accounts (billings for user charged services, tuition and fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The delinquent property taxes amounted to \$268,924 as of June 30, 2018.

A summary of the principal items of intergovernmental receivables follows:

Career and Technology Education Centers of Licking County

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For the Fiscal Year Ended June 30, 2018

	<u>Amounts</u>
Governmental Activities	
Adult Education Program	\$68,039
Bureau of Workers' Compensation Refund	26,667
Carl Perkins - Secondary Grant	123,846
Carl Perkins - Adult Grant	10,559
ABLE Instructional Grant	77,147
Intergovernmental Agreement	8,257
School Employees Retirement System Refund	22
Real Estate Assessment Refund	3,307
Total	<u><u>\$317,844</u></u>

Payment in Lieu of Taxes Several entities within C-TEC's district have entered into various Tax Increment Financing Agreements (TIF). The TIF agreements pay a portion of the TIF to the various school districts located in the area; therefore, C-TEC is also entitled to a portion of the earnings. During fiscal year 2018, payments in the amount of \$34,175 was received by C-TEC. As of June 30, 2018, a receivable for \$69,414 has been recorded which represents the payment anticipated for fiscal year 2019.

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Nondepreciable Capital Assets				
Land	\$107,951	\$0	\$0	\$107,951
Construction in Progress	244,073	186,301	(389,376)	40,998
Total Capital Assets not being depreciated	<u>352,024</u>	<u>186,301</u>	<u>(389,376)</u>	<u>148,949</u>
Depreciable Capital Assets				
Land Improvements	13,467	0	0	13,467
Buildings and Improvements	40,097,432	389,376	0	40,486,808
Furniture and Equipment	5,624,769	176,831	(356,938)	5,444,662
Vehicles	471,839	75,000	(118,050)	428,789
Total at Historical Cost	<u>46,207,507</u>	<u>641,207</u>	<u>(474,988)</u>	<u>46,373,726</u>
Less Accumulated Depreciation				
Land Improvements	(2,619)	(897)	0	(3,516)
Buildings and Improvements	(9,788,380)	(931,632)	0	(10,720,012)
Furniture and Equipment	(2,730,764)	(303,587)	328,813	(2,705,538)
Vehicles	(346,636)	(23,493)	112,550	(257,579)
Total Accumulated Depreciation	<u>(12,868,399)</u>	<u>(1,259,609)</u>	<u>441,363</u>	<u>(13,686,645)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>33,339,108</u>	<u>(618,402)</u>	<u>(33,625)</u>	<u>32,687,081</u>
Governmental Activities Capital Assets, Net	<u><u>\$33,691,132</u></u>	<u><u>(\$432,101)</u></u>	<u><u>(\$423,001)</u></u>	<u><u>\$32,836,030</u></u>

Career and Technology Education Centers of Licking County

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$141,716
Vocational	600,073
Adult/ Continuing Education	133,876
Support Services:	
Instructional Staff	229,837
Board of Education	4,641
Administration	2,493
Fiscal	8,092
Business	69,948
Operation and Maintenance of Plant	44,824
Central	21,772
Food Service Operations	2,337
Total Depreciation Expense	<u>\$1,259,609</u>

Note 10 - Risk Management

C-TEC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2018, C-TEC contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet, and Liability Program (Note 18) for property, fleet, and liability insurance. Coverages provided are as follows:

Building - Replacement Cost	\$66,782,148
Blanket Employee Dishonesty (\$5,000 deductible)	1,000,000
Forgery (\$5,000 deductible)	1,000,000
Flood (annual aggregate excess of \$1,000,000)	25,000,000
Automobile Liability	
Limit of Liability, Per Occurrence (deductible \$1,000 collision and comprehensive)	1,000,000
General Liability – Per Occurrence	1,000,000
General Liability - Aggregate Per Year	3,000,000
Sexual Abuse and Molestation (per occurrence/aggregate per member)	1,000,000
Excess Liability (per occurrence/aggregate excess of \$1,000,000)	
General, Auto, and School Board Legal Liabilities	5,000,000
Sexual Abuse and Molestation	5,000,000

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

During fiscal year 2018, C-TEC participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the

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GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

Note 11 - Employee Benefits

Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for all employees. Upon retirement or upon separation after ten years of service, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 60 days for all employees. C-TEC also credits one day for every year of experience beyond ten years with C-TEC.

Insurance Benefits

Medical and prescription drug insurance is offered to employees through Anthem Blue Cross Blue Shield. Dental insurance coverage is provided through MetLife and vision insurance is provided by C-TEC through Anthem Blue Cross Blue Shield. The employees share the cost of the monthly premium with C-TEC, which varies with employees depending on the terms of the union contract. C-TEC provides life insurance and accidental death and dismemberment insurance to all employees through Anthem Life Insurance, in the amount of \$50,000 for all employees.

Note 12 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions-between an employer and its employees-of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability represent C-TEC's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB 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 these estimates annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – C-TEC 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.

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.

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For the Fiscal Year Ended June 30, 2018

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 C-TEC 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

C-TEC's contractually required contribution to SERS was \$278,208 for fiscal year 2018. Of this amount \$1,655 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – C-TEC 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.

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. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. 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 goes 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.

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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, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

C-TEC's contractually required contribution to STRS was \$911,527 for fiscal year 2018. Of this amount \$92,944 is reported as an intergovernmental payable.

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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. C-TEC's proportion of the net pension liability was based on C-TEC'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	0.06418139%	0.05712515%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.05952510%</u>	<u>0.05661948%</u>	
Change in Proportionate Share	<u>-0.00465629%</u>	<u>-0.00050567%</u>	
Proportionate Share of the Net			
Pension Liability	\$3,556,493	\$13,450,079	\$17,006,572
Pension Expense	(\$161,436)	(\$5,056,385)	(\$5,217,821)

At June 30, 2018, C-TEC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$153,059	\$519,379	\$672,438
Changes of assumptions	183,909	2,941,680	3,125,589
Changes in proportionate Share and difference between C-TEC contributions and proportionate share of contributions	63,380	473,197	536,577
C-TEC contributions subsequent to the measurement date	<u>278,208</u>	<u>911,527</u>	<u>1,189,735</u>
Total Deferred Outflows of Resources	<u><u>\$678,556</u></u>	<u><u>\$4,845,783</u></u>	<u><u>\$5,524,339</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$108,402	\$108,402
Net difference between projected and actual earnings on pension plan investments	16,882	443,868	460,750
Changes in Proportionate Share and Difference between C-TEC contributions and proportionate share of contributions	<u>209,953</u>	<u>120,090</u>	<u>330,043</u>
Total Deferred Inflows of Resources	<u><u>\$226,835</u></u>	<u><u>\$672,360</u></u>	<u><u>\$899,195</u></u>

\$1,189,735 reported as deferred outflows of resources related to pension resulting from C-TEC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$109,208	\$742,301	\$851,509
2020	151,543	1,346,113	1,497,656
2021	(4,329)	968,537	964,208
2022	<u>(82,909)</u>	<u>204,945</u>	<u>122,036</u>
Total	<u><u>\$173,513</u></u>	<u><u>\$3,261,896</u></u>	<u><u>\$3,435,409</u></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

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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, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the 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. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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 average 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 %	

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Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. 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 C-TEC'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%)
C-TEC's proportionate share of the net pension liability	\$4,935,488	\$3,556,493	\$2,401,304

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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For the July 1, 2016 actuarial valuation, 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 July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. 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	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS’ investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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 that 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. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of C-TEC’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents C-TEC’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what C-TEC’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

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	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
C-TEC's proportionate share of the net pension liability	\$19,280,230	\$13,450,079	\$8,539,050

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 2018, three of the Board of Education members elected Social Security.

Note 13 – Defined Benefit OPEB Plans

See note 12 for a description of the net OPEB liability.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description – C-TEC contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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 2018, 0.5 percent 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 earned. For fiscal year 2018, this amount was \$23,700. 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

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aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, C-TEC's surcharge obligation was \$16,557.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. C-TEC's contractually required contribution to SERS was \$26,861 for fiscal year 2018. Of this amount \$16,618 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. 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, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. C-TEC's proportion of the net OPEB liability was based on C-TEC's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.060372859%	0.05712515%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.055976899%</u>	<u>0.05661948%</u>	
Change in Proportionate Share	<u>-0.004395960%</u>	<u>-0.00050567%</u>	
Proportionate Share of the Net			
OPEB Liability	\$1,502,273	\$2,209,083	\$3,711,356
OPEB Expense	\$51,160	(\$677,957)	(\$626,797)

At June 30, 2018, C-TEC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$127,522	\$127,522
C-TEC contributions subsequent to the measurement date	<u>26,861</u>	<u>0</u>	<u>26,861</u>
Total Deferred Outflows of Resources	<u>\$26,861</u>	<u>\$127,522</u>	<u>\$154,383</u>
Deferred Inflows of Resources			
Changes of assumptions	\$142,558	\$177,949	\$320,507
Net difference between projected and actual earnings on OPEB plan investments	3,967	94,421	98,388
Changes in Proportionate Share and Difference between C-TEC contributions and proportionate share of contributions	<u>106,212</u>	<u>23,180</u>	<u>129,392</u>
Total Deferred Inflows of Resources	<u>\$252,737</u>	<u>\$295,550</u>	<u>\$548,287</u>

\$26,861 reported as deferred outflows of resources related to OPEB resulting from C-TEC contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$91,125)	(\$35,873)	(\$126,998)
2020	(91,125)	(35,873)	(126,998)
2021	(69,495)	(35,873)	(105,368)
2022	(992)	(35,873)	(36,865)
2023	0	(12,267)	(12,267)
Thereafter	<u>0</u>	<u>(12,269)</u>	<u>(12,269)</u>
Total	<u>(\$252,737)</u>	<u>(\$168,028)</u>	<u>(\$420,765)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

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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 OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

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Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of C-TEC's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
C-TEC's proportionate share of the net OPEB liability	\$1,814,186	\$1,502,273	\$1,255,158
	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
C-TEC's proportionate share of the net OPEB liability	\$1,218,982	\$1,502,273	\$1,877,213

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

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Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of C-TEC's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (3.13%)</u>	<u>Current Discount Rate (4.13%)</u>	<u>1% Increase (5.13%)</u>
C-TEC's proportionate share of the net OPEB liability	\$2,965,659	\$2,209,083	\$1,611,141
		<u>Current Trend Rate</u>	
	<u>1% Decrease</u>	<u>1% Increase</u>	
C-TEC's proportionate share of the net OPEB liability	\$1,534,776	\$2,209,083	\$3,096,550

Note 14 – Long-Term Obligations

The change in C-TEC's long-term obligations during fiscal year 2018 are as follows:

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Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	Principal Outstanding 6/30/2017	Additions	Deductions	Principal Outstanding 6/30/2018	Due in One Year
Long-Term Bonds:					
Construction and Equipment Long-Term Loan 0%	\$66,667	\$0	\$33,334	\$33,333	\$33,333
School Facilities Improvement Refunding Bonds 2010					
Current Interest Serial Bonds 2.0%-4.0%	12,935,000	0	1,750,000	11,185,000	1,900,000
Bond Premium on Current Interest Serial Bonds	335,173	0	55,863	279,310	0
Various Purpose Bonds 2010B Series Facilities Bonds					
Serial Bonds - 2.0%-4.0%	705,000	0	170,000	535,000	170,000
Term Bonds - 4.0%-4.125%	2,305,000	0	0	2,305,000	0
Bond Premium	27,019	0	1,930	25,089	0
Judgement Bonds					
Serial Bonds - 2.0%-4.0%	135,000	0	30,000	105,000	35,000
Term Bonds - 4.0%-4.125%	415,000	0	0	415,000	0
Bond Premium	5,830	0	416	5,414	0
School Facilities Improvement Refunding Bonds 2013					
Serial Bonds 3.125%	2,840,000	0	0	2,840,000	0
Bond Premium	61,675	0	9,489	52,186	0
Total Long-Term Bonds	19,831,364	0	2,051,032	17,780,332	2,138,333
Net Pension Liability:					
SERS	4,697,486	0	1,140,993	3,556,493	0
STRS	19,121,510	0	5,671,431	13,450,079	0
Total Net Pension Liability	23,818,996	0	6,812,424	17,006,572	0
Net OPEB Liability:					
SERS	1,720,850	0	218,577	1,502,273	0
STRS	3,055,068	0	845,985	2,209,083	0
Total Net Pension Liability	4,775,918	0	1,064,562	3,711,356	0
Compensated Absences Payable	646,160	23,399	43,143	626,416	41,480
Total General Long-Term Obligations	\$49,072,438	\$23,399	\$9,971,161	\$39,124,676	\$2,179,813

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

General Fund using general tax revenues. Principal requirements to retire the Construction and Equipment Long-Term Loan outstanding at June 30, 2018 was \$33,333.

2010 School Facilities Improvement Refunding Bonds – C-Tec had previously issued 2002 School Facilities Improvement General Obligation Bonds for school improvements that were partially refunded through the 2010 School Facilities Improvement Refunding Bonds. At the date of refunding, \$20,097,673 was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2002 School Facilities Improvement General Obligation Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from C-TEC’s financial statements. During fiscal year 2013, the refunded 2002 School Facilities Improvement General Obligation Bonds outstanding were called and paid in full and the escrow account was closed on December 1, 2012. This debt will be retired through the Bond Retirement Debt Service Fund using property tax revenues.

On May 20, 2010, C-TEC issued \$17,954,991 of School Facilities Improvement Refunding Bonds that were issued to partially refund the 2002 School Facilities Improvement General Obligation Bonds. The bonds were issued for a thirteen year period with a final maturity at December 1, 2022. The \$17,954,991 bond issue consists of current interest serial bonds of \$17,645,000 and \$309,991 in capital appreciation bonds. The \$17,954,991 School Facilities Improvement Refunding General Obligation Bonds were issued at a premium in the amount of \$726,214 for the current interest serial bonds and \$1,655,741 for the capital appreciation bonds. The partial advance refunding resulted in a difference between the net carrying amount of the debt and the acquisition price, in the amount of \$1,782,333. This difference was reported as deferred outflows of resources – deferred charge on refunding and was amortized to interest expense over the life of the bonds using the straight-line method. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$585,072. The issuance resulted in a total economic gain of \$497,653. On December 1, 2012, the refunded 2002 School Facilities Improvement General Obligation Bonds were called and paid in full.

Principal and interest requirements to the 2010 School Facilities Improvement Refunding Bonds outstanding at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Current Interest Serial Bonds	
	Principal	Interest
2019	\$1,900,000	\$409,400
2020	2,060,000	330,200
2021	2,225,000	244,500
2022	2,405,000	151,900
2023	2,595,000	51,900
Total	<u>\$11,185,000</u>	<u>\$1,187,900</u>

2013 School Facilities Improvement Refunding Bonds – C-Tec had previously issued 2002 School Facilities Improvement General Obligation Bonds for school improvements that were partially refunded through the 2013 School Facilities Improvement Refunding Bonds. At the date of refunding, \$2,907,450 was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2002 School Facilities Improvement General Obligation Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from C-TEC’s financial statements. During fiscal year 2014, the refunded 2002 School Facilities Improvement General Obligation Bonds outstanding were called and paid in full and the escrow account was closed on December 2, 2013. This debt will be retired through the Bond Retirement Debt Service Fund using property tax revenues.

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

On November 20, 2013, C-TEC issued \$2,840,000 of School Facilities Improvement Refunding Bonds that were issued to partially refund the 2002 School Facilities Improvement General Obligation Bonds. The bonds were issued for a ten year period with a final maturity at December 1, 2023. The \$2,840,000 bond issue consists of serial bonds. The \$2,840,000 School Facilities Improvement Refunding General Obligation Bonds were issued at a premium in the amount of \$94,884. The advance refunding resulted in a difference between the net carrying amount of the debt and the acquisition price, in the amount of (\$20,083). This difference is being reported in the accompanying financial statements as deferred inflows of resources – deferred charge on refunding and is being amortized to interest expense over the life of the bonds using the straight-line method. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$458,788. The issuance resulted in a total economic gain of \$403,804. On December 2, 2013, the refunded 2002 School Facilities Improvement General Obligation Bonds were called and paid in full.

Principal and interest requirements to retire the remaining bonds of the 2002 School Facilities Improvement General Obligation Bonds outstanding at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2019	\$0	\$88,750
2020	0	88,750
2021	0	88,750
2022	0	88,750
2023	0	88,750
2024	2,840,000	44,375
Total	<u>\$2,840,000</u>	<u>\$488,125</u>

2010 Various Purpose Bonds - On June 7, 2010, C-TEC issued \$4,345,000 in Various Purpose Bonds. A portion of the various purpose bonds in the amount of \$3,655,000 in facilities bonds were issued for the purpose of retiring the \$3,400,000 in bond anticipation notes which matured on September 2, 2010. The bond anticipation notes were issued for the purpose of constructing additions to and renovating and improving existing buildings and facilities, including health and safety upgrades and improving access for the disabled. The proceeds from the sale of these bonds were recorded in the Bond Retirement Debt Service Fund. Of the \$3,655,000 facilities bond issuance, \$1,350,000 was serial bonds and \$2,305,000 was term bonds. The \$3,655,000 facilities bonds were issued at a premium of \$40,529. The second portion of the various purpose bonds were for \$690,000 in judgment bonds issued for the purpose of paying a \$500,000 judgment settlement to Claggett and Sons, Inc. and the associated legal fees. \$661,911 of the proceeds from the sale of these bonds were recorded in the Building Capital Projects Fund and \$23,089 were deposited in the Bond Retirement Debt Service Fund for a total of \$690,000. Of the \$690,000 judgment bond issuance, \$275,000 were serial bonds and \$415,000 were term bonds. The \$690,000 in judgment bonds were issued at a premium in the amount of \$8,742. This debt will be retired through the Bond Retirement Debt Service Fund using property tax revenues for the facilities portion and transfers from the General Fund for the judgment portion of the debt.

The term bonds due December 1, 2022, 2024, 2026, 2028, and 2030 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Year Ending December 31	Issue				
	\$460,000	\$500,000	\$550,000	\$600,000	\$610,000
2021	\$225,000	\$0	\$0	\$0	\$0
2023	0	250,000	0	0	0
2025	0	0	270,000	0	0
2027	0	0	0	290,000	0
2029	0	0	0	0	315,000
Total mandatory sinking fund payments	225,000	250,000	270,000	290,000	315,000
Amount due at stated maturity	235,000	250,000	280,000	310,000	295,000
Total	<u>\$460,000</u>	<u>\$500,000</u>	<u>\$550,000</u>	<u>\$600,000</u>	<u>\$610,000</u>
Stated Maturity	12/1/2022	12/1/2024	12/1/2026	12/1/2028	12/1/2030

Principal and interest requirements to retire the 2010 Various Purpose Bonds outstanding at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Facilities Bonds		Judgment Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$170,000	\$110,444	\$35,000	\$20,106	\$205,000	\$130,550
2020	180,000	103,869	35,000	18,794	215,000	122,663
2021	185,000	96,569	35,000	17,394	220,000	113,963
2022	190,000	89,069	35,000	15,994	225,000	105,063
2023	195,000	81,369	40,000	14,494	235,000	95,863
2024-2028	1,125,000	278,644	215,000	47,570	1,340,000	326,214
2029-2031	795,000	49,441	125,000	6,673	920,000	56,114
Total	<u>\$2,840,000</u>	<u>\$809,405</u>	<u>\$520,000</u>	<u>\$141,025</u>	<u>\$3,360,000</u>	<u>\$950,430</u>

Compensated absences will be paid from the General and Adult Education Funds.

C-TEC pays obligations related to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General, Adult Education, Food Service, Other Grants, Adult Basic Education, and Vocational Education. For additional information related to the net pension liability see Note 12.

C-TEC's overall legal debt margin was \$393,649,260 with an unvoted debt margin of \$4,550,743 at June 30, 2018.

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 15 - Interfund Activity

Interfund balances at June 30, 2018, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<i>Major Funds:</i>		
General Fund	\$111,629	\$3,521
Adult Education	342	0
Total Major Fund	<u>111,971</u>	<u>3,521</u>
<i>Other Nonmajor Governmental Funds:</i>		
Other Grants	0	1,253
Adult Basic Education	0	30,607
Vocational Education	3,471	80,061
Total Other Nonmajor Governmental Funds	<u>3,471</u>	<u>111,921</u>
Total All Funds	<u><u>\$115,442</u></u>	<u><u>\$115,442</u></u>

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

C-Tec transferred \$238,391 from the General Fund to the Adult Education Special Revenue Fund for reimbursement of expenditures paid from the Adult Education Special Revenue Fund. C-TEC also transferred \$337,468 from the General Fund to the Bond Retirement Debt Service Fund for bond retirement payments related to the judgment bonds which were issued as a result of a the past lawsuit. C-TEC also transferred \$750,000 from the General Fund to the Permanent Improvement Capital Projects Fund for various future improvement projects to buildings and grounds.

Note 16 - Statutory Set-Asides

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

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2017	\$0
Current Year Set-Aside Requirement	135,945
Current Year Qualifying Disbursements	(459,870)
Excess Qualified Expenditures from Prior Years	0
Total	(\$323,925)
Balance Carried Forward to Future Fiscal Years	\$0
Cash Balances to Carry Forward to Future Fiscal Years	\$0

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

Note 17 – Jointly Governed Organizations

Licking Area Computer Association

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

The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The Board exercises total control over the operations of LACA including budgeting, appropriating, contracting, and designating management. C-TEC's total payments to LACA for fiscal year 2018 were \$130,005. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

Metropolitan Educational Technology Association

C-TEC participates in the Metropolitan Educational Technology Association (META), a jointly governed organization created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

designating management. META memberships became free effective July 1, 2017. Financial information can be obtained from David Varda, CFO, Metropolitan Educational Technology Association, 2100 Citygate Drive, Columbus, Ohio 43219.

Note 18 - Insurance Purchasing Pools

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

Beginning on January 1, 2012, C-TEC participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. During fiscal year 2018, C-TEC paid \$1,687 for membership dues.

Southwestern Ohio Educational Purchasing Council Property, Fleet, and Liability Program

C-TEC participates in the Southwestern Ohio Educational Purchasing Council Property, Fleet, and Liability Program (Council). The Council's business and affairs are conducted by a six member committee consisting of various Council representatives that are elected by the general assembly. The purpose of the Council is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage, and other protections for participants. C-TEC paid \$45,940 to the Council for fiscal year 2018 insurance coverage.

Note 19 - Contingencies

Grants

C-TEC received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of C-TEC at June 30, 2018, if applicable, cannot be determined at this time.

Litigation

C-TEC is currently not party to any litigation.

School Foundation

School 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 C-TEC, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, C-TEC.

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Note 20 – Significant Commitments

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 year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds:	
General Fund	\$292,512
Adult Education Fund	18,056
Nonmajor Governmental Funds	13,621
Total Governmental Funds	<u>\$324,189</u>

Note 21 – Fund Balances

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

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Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Fund Balances	General	Adult Education	Bond Retirement	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Unclaimed Monies	\$9,590	\$0	\$0	\$0	\$9,590
Prepaid Items	53,290	18,510	0	796	72,596
Materials and Supplies Inventory	3,078	0	0	747	3,825
<i>Total Nonspendable</i>	65,958	18,510	0	1,543	86,011
<u>Restricted for:</u>					
Debt Service Payments	0	0	1,500,684	0	1,500,684
Adult Education	0	565,740	0	4,479	570,219
Food Service Operations	0	0	0	148,414	148,414
Department Clubs	0	0	0	28,529	28,529
Vocational Education	0	0	0	25,620	25,620
<i>Total Restricted</i>	0	565,740	1,500,684	207,042	2,273,466
<u>Committed to:</u>					
Scholarships	0	0	0	1,686	1,686
Permanent Improvements	0	0	0	1,575,938	1,575,938
Vocational Services	376	0	0	0	376
<i>Total Committed</i>	376	0	0	1,577,624	1,578,000
<u>Assigned to:</u>					
Public School Support	21,976	0	0	0	21,976
Assigned to Subsequent Year's Appropriations	124,508	0	0	0	124,508
Purchases on Order	185,919	0	0	0	185,919
<i>Total Assigned</i>	332,403	0	0	0	332,403
Unassigned:	15,067,212	0	0	(548)	15,066,664
<i>Total Fund Balances</i>	\$15,465,949	\$584,250	\$1,500,684	\$1,785,661	\$19,336,544

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Required
Supplementary
Information

Career and Technology Education Centers of Licking County, Ohio
Required Supplementary Information
Schedule of C-TEC's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Five Fiscal Years (1) **

	2018	2017	2016	2015	2014
C-TEC's Proportion of the Net Pension Liability	0.05952510%	0.06418139%	0.0630638%	0.0608671%	0.0608671%
C-TEC's Proportionate Share of the Net Pension Liability	\$3,556,493	\$4,697,486	\$3,598,481	\$3,080,449	\$3,619,571
C-TEC's Covered Payroll	\$1,984,114	\$1,967,293	\$1,902,822	\$1,772,035	\$1,735,311
C-TEC's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	179.25%	238.78%	189.11%	173.84%	208.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect 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 C-TEC's measurement date which is the prior fiscal year-end.

See accompanying notes to the required supplementary information

Career and Technology Education Centers of Licking County, Ohio
Required Supplementary Information
Schedule of C-TEC's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
*Last Two Fiscal Years (1) **

	2018	2017
C-TEC's Proportion of the Net OPEB Liability	0.055976899%	0.060372859%
C-TEC's Proportionate Share of the Net OPEB Liability	\$1,502,273	\$1,720,850
C-TEC's Covered Payroll	\$1,984,114	\$1,967,293
C-TEC's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	75.72%	87.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

Career and Technology Education Centers of Licking County, Ohio
Required Supplementary Information
Schedule of C-TEC's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Five Fiscal Years (1) **

	2018	2017	2016	2015	2014
C-TEC's Proportion of the Net Pension Liability	0.05661948%	0.05712515%	0.05462948%	0.05412227%	0.05412227%
C-TEC's Proportionate Share of the Net Pension Liability	\$13,450,079	\$19,121,510	\$15,097,990	\$13,164,409	\$15,681,358
C-TEC's Covered Payroll	\$6,261,214	\$6,041,821	\$5,887,129	\$5,529,893	\$5,952,454
C-TEC's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	214.82%	316.49%	256.46%	238.06%	263.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect 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 C-TEC's measurement date which is the prior fiscal year-end.

See accompanying notes to the required supplementary information

Career and Technology Education Centers of Licking County, Ohio
Required Supplementary Information
Schedule of C-TEC's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
*Last Two Fiscal Years (1) **

	2018	2017
C-TEC's Proportion of the Net OPEB Liability	0.05661948%	0.05712515%
C-TEC's Proportionate Share of the Net OPEB Liability	\$2,209,083	\$3,055,068
C-TEC's Covered Payroll	\$6,261,214	\$6,041,821
C-TEC's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.28%	50.57%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

Career and Technology Education Centers of Licking County, Ohio

Required Supplementary Information

Schedule of C-TEC Contributions

School Employees Retirement System of Ohio

Last Ten Fiscal Years

	2018	2017	2016	(4) 2015
Net Pension Liability				
Contractually Required Contribution	\$278,208	\$277,776	\$275,421	\$250,792
Contributions in Relation to the Contractually Required Contribution	<u>(278,208)</u>	<u>(277,776)</u>	<u>(275,421)</u>	<u>(250,792)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
C-TEC Covered Payroll (5)	\$2,060,800	\$1,984,114	\$1,967,293	\$1,902,822
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
Net OPEB Liability				
Contractually Required Contribution (6)	\$26,861	\$17,000	\$16,390	\$36,908
Contributions in Relation to the Contractually Required Contribution	<u>(26,861)</u>	<u>(17,000)</u>	<u>(16,390)</u>	<u>(36,908)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.30%</u>	<u>0.86%</u>	<u>0.83%</u>	<u>1.94%</u>
Total Contributions as a Percentage of Covered Payroll (6)	<u>14.80%</u>	<u>14.86%</u>	<u>14.83%</u>	<u>15.12%</u>

(1) C-TEC implemented furlough days

(2) C-TEC implemented a reduction in force program

(3) C-TEC added two steps back to employee wages

(4) These years were restated to remove the Licking Area Computer Association employees.

(5) C-TEC's covered payroll is the same for Pension and OPEB.

(6) Includes Surcharge

See accompanying notes to the required supplementary information

<u>(4)</u> <u>2014</u>	<u>(4)</u> <u>2013</u>	<u>(3)(4)</u> <u>2012</u>	<u>(2)(4)</u> <u>2011</u>	<u>(1)(4)</u> <u>2010</u>	<u>(4)</u> <u>2009</u>
\$245,604	\$240,167	\$222,691	\$106,312	\$159,231	\$146,235
<u>(245,604)</u>	<u>(240,167)</u>	<u>(222,691)</u>	<u>(106,312)</u>	<u>(159,231)</u>	<u>(146,235)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,772,035	\$1,735,311	\$1,655,695	\$845,760	\$1,176,004	\$1,486,128
<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>	<u>13.54%</u>	<u>9.84%</u>
\$24,392	\$14,093	\$39,049	\$26,472	\$26,781	\$84,127
<u>(24,392)</u>	<u>(14,093)</u>	<u>(39,049)</u>	<u>(26,472)</u>	<u>(26,781)</u>	<u>(84,127)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.38%</u>	<u>0.81%</u>	<u>2.36%</u>	<u>3.13%</u>	<u>2.28%</u>	<u>5.66%</u>
<u>15.24%</u>	<u>14.65%</u>	<u>15.81%</u>	<u>15.70%</u>	<u>15.82%</u>	<u>15.50%</u>

Career and Technology Education Centers of Licking County, Ohio

Required Supplementary Information

Schedule of C-TEC Contributions

State Teachers Retirement System of Ohio

Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$911,527	\$876,570	\$845,855	\$824,198
Contributions in Relation to the Contractually Required Contribution	<u>(911,527)</u>	<u>(876,570)</u>	<u>(845,855)</u>	<u>(824,198)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
C-TEC Covered Payroll (3)	\$6,510,907	\$6,261,214	\$6,041,821	\$5,887,129
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) Reduction in force

(2) Reduction in force round two

(3) C-TEC's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

<u>2014</u>	<u>2013</u>	<u>(2) 2012</u>	<u>(1) 2011</u>	<u>2010</u>	<u>2009</u>
\$718,886	\$773,819	\$756,611	\$802,657	\$860,421	\$854,509
<u>(718,886)</u>	<u>(773,819)</u>	<u>(756,611)</u>	<u>(802,657)</u>	<u>(860,421)</u>	<u>(854,509)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,529,893	\$5,952,454	\$5,820,085	\$6,174,285	\$6,618,624	\$6,573,149
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$55,299	\$59,525	\$58,201	\$61,743	\$66,186	\$65,731
<u>(55,299)</u>	<u>(59,525)</u>	<u>(58,201)</u>	<u>(61,743)</u>	<u>(66,186)</u>	<u>(65,731)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Career and Technology Education Centers, Ohio

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018*

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported 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

Beginning with fiscal year 2017, mortality assumptions use 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.

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014

Career and Technology Education Centers, Ohio

Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, 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.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution):		
National School Lunch Program	10.555	\$11,825
Cash Assistance:		
School Breakfast Program	10.553	12,333
National School Lunch Program	10.555	90,775
Cash Assistance Subtotal		<u>103,108</u>
Total Child Nutrition Cluster		<u>114,933</u>
 Fresh Fruit and Vegetable Program	 10.582	 <u>\$3,543</u>
 Total U.S. Department of Agriculture		 <u>118,476</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Direct Program</i>		
Student Financial Assistance Cluster:		
Federal Pell Grant Program	84.063	431,936
Federal Direct Student Loans	84.268	564,170
Total Student Financial Assistance Cluster		<u>996,106</u>
<i>Passed Through Ohio Department of Education</i>		
Adult Education-Basic Grants to States	84.002	273,623
Career and Technical Education- Basic Grants to States	84.048	538,795
Improving Teacher Quality State Grants	84.367	2,556
Total Passed Through Ohio Department of Education		<u>814,974</u>
 Total U.S. Department of Education		 <u>1,811,080</u>
 Total Expenditures of Federal Awards		 <u>\$1,929,556</u>

The accompanying notes are an integral part of this schedule.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Career and Technology Education Centers (C-TEC) under programs of the federal government for the year ended June 30, 2018. 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 C-TEC, it is not intended to and does not present the financial position or changes in net position of C-TEC.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. C-TEC has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

C-TEC 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

C-TEC reports commodities consumed on the Schedule at the fair value. C-TEC allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, 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 Career and Technology Education Centers, Licking County, Ohio, (C-TEC) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise C-TEC's basic financial statements, and have issued our report thereon dated December 5, 2018, wherein we noted C-TEC adopted new accounting guidance in Governmental Accounting Standard (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered C-TEC'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 C-TEC'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 C-TEC'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether C-TEC'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*.

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 C-TEC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering C-TEC's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 5, 2018



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Career and Technology Education Centers, Licking County, Ohio (C-TEC) 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 Career and Technology Education Centers major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies C-TEC's major federal program.

Management's Responsibility

C-TEC'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 C-TEC's compliance for C-TEC'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 C-TEC'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 C-TEC's major program. However, our audit does not provide a legal determination of C-TEC's compliance.

Opinion on the Major Federal Program

In our opinion, the Career and Technology Education Centers complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

C-TEC'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 C-TEC'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 C-TEC'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 5, 2018

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Assistance Cluster- CFDA#84.063 and 84.268
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

**CAREER AND TECHNOLOGY EDUCATION CENTER
LICKING COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
FOR FISCAL YEAR ENDED JUNE 30, 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Financial Statement Presentation	Corrective Action Taken and Finding is Fully Corrected	



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CAREER AND TECHNOLOGY EDUCATION CENTERS OF LICKING COUNTY

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 20, 2018**