# TRI-COUNTY CAREER CENTER
# ATHENS COUNTY

## SINGLE AUDIT

## FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

**TRI-COUNTY CAREER CENTER**
**ATHENS COUNTY**
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**INDEPENDENT AUDITOR'S REPORT**

Tri-County Career Center
Athens County
15676 State Routed 691
Nelsonville, Ohio 45764-9532

To the Board of Education:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Tri-County Career Center, Athens County, Ohio (the Career Center), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Career Center's basic financial statements as listed in the Table of Contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Career Center'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 the Career Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tri-County Career Center, Athens County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund 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 fiscal year 2018, the Career Center adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017,* Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension.* 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 the Career Center's basic financial statements taken as a whole.

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

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

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2019, on our consideration of the Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Career Center's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

February 13, 2019

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The discussion and analysis of the Tri-County Career Center's (the "Career Center") financial performance provides an overview and analysis of the Career Center's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Career Center's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the Career Center's financial performance.

## Financial Highlights

- Total liabilities and deferred inflows of resources of the Career Center exceeded its assets and deferred outflows of resources at June 30, 2018 by $417,076. This balance was comprised of $3,028,399 in net investment in capital assets, $296,663 in net position restricted for specific purposes, and a deficit balance of $3,742,138 in unrestricted net position.

- In total, net position of governmental activities increased by $4,280,769, which represents a 93.32 percent increase from 2017. Net position of the business-type activities increased $321,275, which represents a 74.37 percent increase from 2017.

- General revenues accounted for $7,776,991 or 89.80 percent of all revenues of governmental activities. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for $883,692 or 10.20 percent of total revenues of $8,660,683 for the governmental activities.

- The Career Center had $4,354,914 in expenses related to governmental activities; only $883,692 of these expenses was offset by program specific charges for services and sales, grants and contributions. General revenues (primarily taxes and grants and entitlements) of $7,776,991 were used to provide for the remainder of these programs.

- The Career Center had $391,853 in expenses related to business-type activities; 100 percent of these expenses was offset by program specific charges for services and sales, grants and contributions.

- The Career Center recognizes two major governmental funds: the General Fund and Permanent Improvement Fund. In terms of dollars received and spent, the General Fund is significantly larger than all the other governmental funds of the Career Center combined. The General Fund had $7,669,082 in revenues and $6,848,407 in expenditures in fiscal year 2018.

- The Career Center recognizes one major proprietary fund: the Adult Education Fund. In terms of dollars received and spent, the Adult Education Fund is significantly larger than all the other proprietary funds of the Career Center combined. The Adult Education Fund had $383,598 in operating revenues and $334,871 in operating expenses in fiscal year 2018.

## Using this Annual Report

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

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

**Reporting the Career Center as a Whole**

**Government-Wide Financial Statements**

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

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

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

In both of the government-wide financial statements, the Career Center's activities are divided into two distinct kinds of activities: governmental activities and business-type activities.

***Governmental Activities***

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

***Business-Type Activities***

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

**Reporting the Career Center's Most Significant Funds**

**Fund Financial Statements**

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

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

***Governmental Funds***

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds***

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

***Fiduciary Funds***

The Career Center's only fiduciary fund is an agency fund. We exclude these activities from the Career Center's other financial statements because the Career Center cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

***Notes to the Basic Financial Statements***

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

## Government-Wide Financial Analysis

Recall that the statement of net position provides the perspective of the Career Center as a whole, showing assets, liabilities and deferred inflows of resources and the difference between them (net position). Table 1 provides a summary of the Career Center's net position for 2018 compared to fiscal year 2017:

Table 1
**Net Position**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2018 | Restated 2017 | 2018 | Restated 2017 | 2018 | Restated 2017 |
| ***Assets:*** | | | | | | |
| Current and Other Assets | $9,369,230 | $7,965,257 | $540,316 | $437,207 | $9,909,546 | $8,402,464 |
| Capital Assets, net | 2,961,825 | 2,868,254 | 66,574 | 77,586 | 3,028,399 | 2,945,840 |
| *Total Assets* | 12,331,055 | 10,833,511 | 606,890 | 514,793 | 12,937,945 | 11,348,304 |
| ***Deferred Outflows of Resources:*** | | | | | | |
| Pension | 2,687,581 | 2,459,008 | 179,456 | 172,925 | 2,867,037 | 2,631,933 |
| OPEB | 72,747 | 7,062 | 3,512 | 0 | 76,259 | 7,062 |
| *Total Deferred Outflows of Resources* | 2,760,328 | 2,466,070 | 182,968 | 172,925 | 2,943,296 | 2,638,995 |
| ***Liabilities:*** | | | | | | |
| Current and Other Liabilities | 726,967 | 731,119 | 11,716 | 18,102 | 738,683 | 749,221 |
| Long-Term Liabilities: | | | | | | |
| Due Within One Year | 93,150 | 89,911 | 4,430 | 4,859 | 97,580 | 94,770 |
| Due in More Than One Year: | | | | | | |
| Net Pension Liability | 8,502,748 | 12,070,993 | 523,807 | 678,423 | 9,026,555 | 12,749,416 |
| Net OPEB Liability | 1,910,903 | 2,360,361 | 142,151 | 166,598 | 2,053,054 | 2,526,959 |
| Other Amounts | 278,804 | 236,191 | 1,279 | 602 | 280,083 | 236,793 |
| *Total Liabilities* | 11,512,572 | 15,488,575 | 683,383 | 868,584 | 12,195,955 | 16,357,159 |
| ***Deferred Inflows of Resources:*** | | | | | | |
| Property Taxes | 3,037,259 | 2,309,218 | 0 | 0 | 3,037,259 | 2,309,218 |
| Pension | 633,925 | 88,923 | 202,016 | 251,119 | 835,941 | 340,042 |
| OPEB | 213,993 | 0 | 15,169 | 0 | 229,162 | 0 |
| *Total Deferred Inflows of Resources* | 3,885,177 | 2,398,141 | 217,185 | 251,119 | 4,102,362 | 2,649,260 |
| ***Net Position:*** | | | | | | |
| Investment in Capital Assets | 2,961,825 | 2,868,254 | 66,574 | 77,586 | 3,028,399 | 2,945,840 |
| Restricted | 296,663 | 334,303 | 0 | 0 | 296,663 | 334,303 |
| Unrestricted | (3,564,854) | (7,789,692) | (177,284) | (509,571) | (3,742,138) | (8,299,263) |
| *Total Net Position* | ($306,366) | ($4,587,135) | ($110,710) | ($431,985) | ($417,076) | ($5,019,120) |

The net pension liability (NPL) is the largest single liability reported by the Career Center 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, the Career Center adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises 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 the Career Center'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. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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, the Career Center 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, the Career Center'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.

As a result of implementing GASB 75, the Career Center 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 total net position at June 30, 2017, from ($2,499,223) to ($5,019,120).

Current and other assets increased $1,507,082 or 17.94 percent from fiscal year 2017. This increase is mostly the result of increases in cash and cash equivalents held by the Career Center and property taxes receivables.

Capital assets increased $82,559 or 2.80 percent, primarily, the result of additions to buildings and improvements and equipment, which exceeded depreciation for the year.

Long term liabilities decreased $4,150,666 or 26.59 percent, as a result of a decrease in net pension and OPEB liabilities due to actuarial measurements done by the retirement systems. Additional information can be found in Notes 11 and 12.

Current (other) liabilities decreased $10,538 due primarily to decreases in accounts payable and contracts payable.

The net position of the Career Center's governmental activities increased $4,280,769 or 93.32 percent, which is primarily due to the decreases in liabilities and expenses related to the net position and OPEB actuarial measurements done by the retirement systems. The net position of the Career Center's business-type activities increased $321,275 or 74.37 percent. This change is mostly due to the adult education program, which is also the result of the net pension and OPEB measurements mentioned previously.

The Career Center's largest portion of net position is related to amounts in investment in capital assets. The Career Center used these capital assets to provide services to students; consequently, these assets are not available for future spending.

The Career Center's smallest portion of net position is unrestricted, and carries a deficit balance of $3,742,138. Unrestricted net position represents resources that may be used to meet the Career Center's ongoing obligations to its students and creditors.

The remaining balance of $296,663 is restricted assets. The restricted net position is subject to external restrictions on how they may be used.

Table 2 shows the changes in net position for fiscal year 2018, and provides a comparison to fiscal year 2017.

Table 2

**Changes In Net Position**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| ***Revenues:*** | | | | | | |
| *Program Revenues:* | | | | | | |
| Charges for Services and Sales | $48,102 | $44,886 | $439,097 | $365,965 | $487,199 | $410,851 |
| Operating Grants and Contributions | 835,590 | 696,425 | 245,126 | 250,635 | 1,080,716 | 947,060 |
| *General Revenues:* | | | | | | |
| Property Taxes | 3,588,921 | 3,932,419 | 0 | 0 | 3,588,921 | 3,932,419 |
| Unrestricted Grants and Entitlements | 3,965,259 | 3,760,068 | 0 | 0 | 3,965,259 | 3,760,068 |
| Tuition and Fees | 79,101 | 90,038 | 0 | 0 | 79,101 | 90,038 |
| Investment Earnings | 75,817 | 30,243 | 0 | 0 | 75,817 | 30,243 |
| Miscellaneous | 67,893 | 10,850 | 3,905 | 2,195 | 71,798 | 13,045 |
| *Total Revenues* | 8,660,683 | 8,564,929 | 688,128 | 618,795 | 9,348,811 | 9,183,724 |

(Continued)

Table 2

**Changes In Net Position**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| ***Expenses:*** | | | | | | |
| *Program Expenses:* | | | | | | |
| *Instruction:* | | | | | | |
| Regular | 74,531 | 74,972 | 0 | 0 | 74,531 | 74,972 |
| Vocational | 1,957,934 | 4,218,232 | 0 | 0 | 1,957,934 | 4,218,232 |
| Adult/Continuing | 204,549 | 153,691 | 0 | 0 | 204,549 | 153,691 |
| *Support Services:* | | | | | | |
| Pupils | 59,400 | 224,641 | 0 | 0 | 59,400 | 224,641 |
| Instructional Staff | 158,676 | 306,232 | 0 | 0 | 158,676 | 306,232 |
| Board of Education | 86,314 | 79,130 | 0 | 0 | 86,314 | 79,130 |
| Administration | 485,169 | 1,100,342 | 0 | 0 | 485,169 | 1,100,342 |
| Fiscal | 292,625 | 506,473 | 0 | 0 | 292,625 | 506,473 |
| Business | 61,271 | 93,016 | 0 | 0 | 61,271 | 93,016 |
| Operation and Maintenance of Plant | 725,488 | 1,126,097 | 0 | 0 | 725,488 | 1,126,097 |
| Pupil Transportation | 10,914 | 7,753 | 0 | 0 | 10,914 | 7,753 |
| Central | 83,628 | 144,235 | 0 | 0 | 83,628 | 144,235 |
| Operation of Non-Instructional Services | 151,714 | 201,545 | 0 | 0 | 151,714 | 201,545 |
| Extracurricular Activities | 2,701 | 8,305 | 0 | 0 | 2,701 | 8,305 |
| Adult Education | 0 | 0 | 334,871 | 496,419 | 334,871 | 496,419 |
| Rotary | 0 | 0 | 28,155 | 31,327 | 28,155 | 31,327 |
| Uniform School Supplies | 0 | 0 | 28,827 | 29,608 | 28,827 | 29,608 |
| *Total Expenses* | 4,354,914 | 8,244,664 | 391,853 | 557,354 | 4,746,767 | 8,802,018 |
| Excess Revenues (Expenses) Before Transfers | 4,305,769 | 320,265 | 296,275 | 61,441 | 4,602,044 | 381,706 |
| Transfers | (25,000) | (275,000) | 25,000 | 275,000 | 0 | 0 |
| *Changes in Net Position* | 4,280,769 | 45,265 | 321,275 | 336,441 | 4,602,044 | 381,706 |
| Net Position at Beginning of Year | (4,587,135) | N/A | (431,985) | N/A | (5,019,120) | N/A |
| Net Position at End of Year | ($306,366) | ($4,587,135) | ($110,710) | ($431,985) | ($417,076) | ($5,019,120) |

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $7,062 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB Statement No. 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 Statement No. 75, the 2018 statements report negative OPEB expense of $302,478. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

| | |
|---|---|
| Total 2018 program expenses under GASB Statement No. 75 | $4,746,767 |
| Negative OPEB expense under GASB Statement No. 75 | 302,478 |
| 2018 contractually required contribution | 11,462 |
| Adjusted 2018 program expenses | 5,060,707 |
| Total 2017 program expenses under GASB Statement No. 45 | 8,802,018 |
| Decrease in program expenses not related to OPEB | ($3,741,311) |

The most significant program expenses for the Career Center's governmental activities are Vocational Instruction, Operation and Maintenance of Plant, Administration, Fiscal and Adult/Continuing. These program expenses account for 84.17 percent of the total governmental activity expenses. Vocational Instruction, which accounts for 44.96 percent of the total, represents costs associated with providing instructional activities designed to prepare students to enter into the workforce with education in a trade or technical skills. Operation and Maintenance of Plant, which represents 16.66 percent of the total, represents costs associated with operating and maintaining the Career Center's facilities. Administration, which accounts for 11.14 percent of the total, represents costs associated with the overall administrative responsibility for each building and the Career Center as a whole. Fiscal, which represents 6.71 percent of the total, represents cost associated with activities concerned with the financial operation of the Career Center. Adult Continuing, which represents 4.70 percent of the total, represents costs associated with activities designed to assess and improve the well-being of pupils and supplement the teaching process.

The majority of the funding for the most significant programs indicated above is from property taxes and grants and entitlements not restricted for specific programs. Property taxes and grants and entitlements not restricted for specific programs account for 87.22 percent of total revenues for governmental activities.

As noted previously, the net position for the governmental activities increased $4,280,769 or 93.32 percent. Governmental Activities revenue increased $95,754 or 1.12 percent from last year and expenses decreased $3,889,750 or 47.18 percent from last year.

The District had a program revenue increase of $142,391 and a decrease in general revenue of $46,627. The increase in program revenue is due primarily to an increase in operating grants and the decrease in general revenue is due mostly to a decrease in property taxes which was offset by an increase in unrestricted grants.

The total expenses for governmental activities decreased $3,889,750 or 47.18 percent, primarily due to decreases in vocational instruction, operation and maintenance of plant and administration support services. The large decrease in expenses is the result of retirement systems calculations for net pension and OPEB liabilities. The actuarial measurements done by the retirement systems resulted in significant decreases in liabilities and expenses. Additional information can be found in Notes 11 and 12.

The most significant program expense for the Career Center's business-type activities is Adult Education. This program, which accounts for 85.46 percent of the total business-type activities, represents costs associated with providing instructional activities that are designed to develop basic education and job training for adults. All of the funding for this program comes from tuition, classroom fees, grants and contributions.

The net position for the business-type activities increased $321,275 or 74.37 percent. Total revenues increased $69,333 or 11.20 percent from last year and expenses decreased $165,501 or 29.69 percent from last year.

The District had a program revenue increase for business-type activity of $67,623 and an increase in general revenue of $1,710. The increase in program revenue is due primarily to an increase in charges for services in the Adult Education Program.

The total expenses for business-type activities decreased $165,501 or 29.69 percent, primarily due to a decrease in adult education. The large decrease in expenses is the result of retirement systems calculations for net pension and OPEB liabilities. The actuarial measurements done by the retirement systems resulted in significant decreases in liabilities and expenses. Additional information can be found in Notes 11 and 12.

**Governmental Activities**

Over the past several fiscal years, the Career Center has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The Career Center is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 41.44 percent and intergovernmental revenue made up 55.43 percent of the total revenue for the governmental activities in fiscal year 2018.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation until the millage rate has been reduced to 2 mills. The Career Center's effective millage rate is currently at 2.0, while the operating millage rate is currently at 3.30 mills.

The Career Center's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2018, the Career Center received $3,535,124 through the State's foundation program, which represents 40.82 percent of the total revenue for the governmental activities. The Career Center relies on this state funding to operate at the current levels of service.

Instruction accounts for 51.37 percent of governmental activities program expenses. Support services expenses make up 45.09 percent of governmental activities expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

**Business-Type Activities**

Business-type activities include the rotary activities, the uniform school supplies and the adult education program. These programs had program revenues of $684,223 and expenses of $391,853 for fiscal year 2018. Over 64.17 percent of those program revenues were from charges for services for tuition and classroom materials and fees in the adult education program.

Table 3 shows the total cost of services and the net cost of services for fiscal year 2018 and a comparison to fiscal year 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

**Net Cost of Activities**

| | Total Cost of Services 2018 | Net Cost of Services 2018 | Total Cost of Services 2017 | Net Cost of Services 2017 |
|---|---|---|---|---|
| ***Program Expenses:*** | | | | |
| *Governmental Activities:* | | | | |
| Instruction | $2,237,014 | $1,677,099 | $4,446,895 | $4,071,871 |
| Support Services | 1,963,485 | 1,861,742 | 3,587,919 | 3,436,602 |
| Operation of Non-Instructional Services | 151,714 | (70,320) | 201,545 | (13,425) |
| Extracurricular Activities | 2,701 | 2,701 | 8,305 | 8,305 |
| *Business-Type Activities:* | | | | |
| Adult Education | 334,871 | (291,056) | 496,419 | (60,587) |
| Rotary | 28,155 | 1,973 | 31,327 | 2,035 |
| Uniform School Supplies | 28,827 | (3,287) | 29,608 | (694) |
| Total Expenses | $4,746,767 | $3,178,852 | $8,802,018 | $7,444,107 |

**The Career Center's Funds**

The Career Center's governmental funds are accounted for using the modified accrual basis of accounting (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues and other financing sources of $8,795,497 and expenditures and other financing uses of $8,180,599.

Total governmental funds fund balance increased by $614,898. The increase in fund balance for the year was most significant in the General Fund, which increased $595,675 or 14.19 percent. The increase was the result of revenues exceeding expenditures during 2018.

**Budget Highlights - General Fund**

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

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

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

For the General Fund, the final budget basis revenue was $8,049,746 representing an increase of $726,641 from the original budget estimates of $7,323,105. For the General Fund, the final budget basis expenditures were $7,100,216 representing an increase of $125,668 from the original budget estimates of $6,974,548. The final budget basis expenditures reflected a 1.80 percent increase from the original budgeted amount.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2018, the Career Center had $10,641,036 invested in capital assets in the governmental activities and $371,453 in the business-type activities. These totals carry accumulated depreciation of $7,679,211 and $304,879, respectively. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017.

Table 4

**Capital Assets & Accumulated Depreciation at Year End**

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| *Nondepreciable Capital Assets:* | | | | |
| Land | $34,308 | $34,308 | $0 | $0 |
| Construction In Progress | 359,795 | 300,631 | 0 | 0 |
| *Total Nondepreciable Capital Assets* | 394,103 | 334,939 | 0 | 0 |
| *Depreciable Capital Assets:* | | | | |
| Buildings and Improvements | 5,209,510 | 5,173,976 | 0 | 0 |
| Land Improvements | 473,506 | 473,506 | 0 | 0 |
| Furniture, Fixtures and Equipment | 3,936,616 | 3,736,517 | 371,453 | 381,737 |
| Vehicles | 627,301 | 627,301 | 0 | 0 |
| *Total Capital Assets* | 10,641,036 | 10,346,239 | 371,453 | 381,737 |
| *Less Accumulated Depreciation:* | | | | |
| Buildings and Improvements | (3,900,175) | (3,866,306) | 0 | 0 |
| Land Improvements | (45,378) | (21,703) | 0 | 0 |
| Furniture, Fixtures and Equipment | (3,218,154) | (3,089,933) | (304,879) | (304,151) |
| Vehicles | (515,504) | (500,043) | 0 | 0 |
| *Total Accumulated Depreciation* | (7,679,211) | (7,477,985) | (304,879) | (304,151) |
| Capital Assets, Net | $2,961,825 | $2,868,254 | $66,574 | $77,586 |

More detailed information pertaining to the Career Center's capital asset activity can be found in Note 9 of the notes to the basic financial statements.

## Debt Administration

At June 30, 2018, the Career Center had no general obligation debt outstanding.

Detailed information pertaining to the Career Center's only long-term liability activity can be found in Note 14 of the notes to the basic financial statements.

## Current Issues

Although considered a mid-wealth area, the Career Center is financially stable, and has been over the past several years. Administrators and staff are cognizant of the entity's vulnerability due to the economy's instability. The Board of Education and administrators continue to closely monitor both revenues and expenses in order to strike a balance between the two. Careful financial planning has permitted the Career Center to provide a quality education for our students.

Tri-County Career Center receives over half of its total General Fund revenue from the Ohio Department of Education. The career-technical education formula was significantly altered by the biennial budget which took effect during the 2017 fiscal period. The bottom-line effect of the formula modification resulted in virtually no net effect on revenue. The Career Center's formula ADM increased from 403.13 to 446.88 and the career tech weighted counts increased from 335.19 to 411.44. The result of these increases was an increase in the Career Center's state funding of $212,437 from $3,322,687 in the prior year to $3,535,124 in the current year.

The five-year forecast projects positive carryover balances in the General Fund for the next five years. This is contingent on maintaining consistent enrollment.

The Career Center's systems of budgeting and internal controls are well regarded. The Career Center's healthy financial reserves will help the Career Center continue to serve its mission. The Career Center's focus on sustainability has resulted in the Career Center maintaining solid finances, while also improving facilities and overall academic achievement.

## Contacting the Career Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Career Center's finances and to show the Career Center's accountability for the money it received. If you have any questions about this report or need additional information contact Laura Dukes, CPA, Treasurer of Tri-County Career Center, 15676 State Route 691, Nelsonville, OH 45764.

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***TRI-COUNTY CAREER CENTER***

*Statement of Net Position*

*June 30, 2018*

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| ***Assets:*** | | | |
| Equity in Pooled Cash and Cash Equivalents | $5,397,060 | $527,709 | $5,924,769 |
| Property Taxes Receivable | 3,822,129 | 0 | 3,822,129 |
| Accounts Receivable | 2,730 | 12,607 | 15,337 |
| Intergovernmental Receivable | 119,653 | 0 | 119,653 |
| Materials and Supplies Inventory | 27,658 | 0 | 27,658 |
| Nondepreciable Capital Assets | 394,103 | 0 | 394,103 |
| Depreciable Capital Assets, Net | 2,567,722 | 66,574 | 2,634,296 |
| *Total Assets* | 12,331,055 | 606,890 | 12,937,945 |
| ***Deferred Outflows of Resources:*** | | | |
| Pension | 2,687,581 | 179,456 | 2,867,037 |
| OPEB | 72,747 | 3,512 | 76,259 |
| *Total Deferred Outflows of Resources* | 2,760,328 | 182,968 | 2,943,296 |
| ***Liabilities:*** | | | |
| Accrued Wages and Benefits | 614,188 | 11,487 | 625,675 |
| Matured Compensated Absences Payable | 29,123 | 0 | 29,123 |
| Intergovernmental Payable | 83,656 | 229 | 83,885 |
| *Long-Term Liabilities:* | | | |
| Due within One Year | 93,150 | 4,430 | 97,580 |
| Due in More Than One Year: | | | |
| Net Pension Liability | 8,502,748 | 523,807 | 9,026,555 |
| Net OPEB Liability | 1,910,903 | 142,151 | 2,053,054 |
| Other Amounts Due in More Than One Year | 278,804 | 1,279 | 280,083 |
| *Total Liabilities* | 11,512,572 | 683,383 | 12,195,955 |
| ***Deferred Inflows of Resources:*** | | | |
| Property Taxes | 3,037,259 | 0 | 3,037,259 |
| Pension | 633,925 | 202,016 | 835,941 |
| OPEB | 213,993 | 15,169 | 229,162 |
| *Total Deferred Inflows of Resources* | 3,885,177 | 217,185 | 4,102,362 |
| ***Net Position:*** | | | |
| Investment in Capital Assets | 2,961,825 | 66,574 | 3,028,399 |
| *Restricted for:* | | | |
| Capital Outlay | 189,831 | 0 | 189,831 |
| Other Purposes | 106,832 | 0 | 106,832 |
| Unrestricted | (3,564,854) | (177,284) | (3,742,138) |
| *Total Net Position* | ($306,366) | ($110,710) | ($417,076) |

See accompanying notes to the basic financial statements.

***TRI-COUNTY CAREER CENTER***

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2018*

| | | Program Revenues | |
|---|---|---|---|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions |
| ***Governmental Activities:*** | | | |
| *Instruction:* | | | |
| Regular | $74,531 | $0 | $109,242 |
| Vocational | 1,957,934 | 0 | 242,206 |
| Adult/Continuing | 204,549 | 0 | 208,467 |
| *Support Services:* | | | |
| Pupils | 59,400 | 0 | 0 |
| Instructional Staff | 158,676 | 0 | 0 |
| Board of Education | 86,314 | 0 | 0 |
| Administration | 485,169 | 0 | 0 |
| Fiscal | 292,625 | 0 | 0 |
| Business | 61,271 | 0 | 0 |
| Operation and Maintenance of Plant | 725,488 | 0 | 4,092 |
| Pupil Transportation | 10,914 | 0 | 0 |
| Central | 83,628 | 0 | 97,651 |
| *Operation of Non-Instructional Services:* | | | |
| Food Services | 150,672 | 48,102 | 173,932 |
| Other | 1,042 | 0 | 0 |
| Extracurricular Activities | 2,701 | 0 | 0 |
| *Total Governmental Activities* | 4,354,914 | 48,102 | 835,590 |
| ***Business-Type Activities:*** | | | |
| Adult Education | 334,871 | 380,801 | 245,126 |
| Rotary | 28,155 | 26,182 | 0 |
| Uniform School Supplies | 28,827 | 32,114 | 0 |
| *Total Business-Type Activities* | 391,853 | 439,097 | 245,126 |
| *Totals* | $4,746,767 | $487,199 | $1,080,716 |

***General Revenues:***

*Property Taxes Levied for:*

General Purposes

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Tuition and Fees

Investment Earnings

Miscellaneous

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

Change in Net Position

*Net Position at Beginning of Year, As Restated (See Note 3)*

*Net Position at End of Year*

See accompanying notes to the basic financial statements.

| Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|
| Governmental Activities | Business-Type Activities | Total |
| | | |
| $34,711 | $0 | $34,711 |
| (1,715,728) | 0 | (1,715,728) |
| 3,918 | 0 | 3,918 |
| | | |
| (59,400) | 0 | (59,400) |
| (158,676) | 0 | (158,676) |
| (86,314) | 0 | (86,314) |
| (485,169) | 0 | (485,169) |
| (292,625) | 0 | (292,625) |
| (61,271) | 0 | (61,271) |
| (721,396) | 0 | (721,396) |
| (10,914) | 0 | (10,914) |
| 14,023 | 0 | 14,023 |
| | | |
| 71,362 | 0 | 71,362 |
| (1,042) | 0 | (1,042) |
| (2,701) | 0 | (2,701) |
| | | |
| (3,471,222) | 0 | (3,471,222) |
| | | |
| 0 | 291,056 | 291,056 |
| 0 | (1,973) | (1,973) |
| 0 | 3,287 | 3,287 |
| | | |
| 0 | 292,370 | 292,370 |
| | | |
| (3,471,222) | 292,370 | (3,178,852) |
| | | |
| 3,588,921 | 0 | 3,588,921 |
| 3,965,259 | 0 | 3,965,259 |
| 79,101 | 0 | 79,101 |
| 75,817 | 0 | 75,817 |
| 67,893 | 3,905 | 71,798 |
| | | |
| 7,776,991 | 3,905 | 7,780,896 |
| | | |
| (25,000) | 25,000 | 0 |
| | | |
| 7,751,991 | 28,905 | 7,780,896 |
| | | |
| 4,280,769 | 321,275 | 4,602,044 |
| | | |
| (4,587,135) | (431,985) | (5,019,120) |
| | | |
| ($306,366) | ($110,710) | ($417,076) |

***TRI-COUNTY CAREER CENTER***

*Balance Sheet*
*Governmental Funds*
*June 30, 2018*

| | General | Permanent Improvement | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| ***Assets:*** | | | | |
| Equity in Pooled Cash and Cash Equivalents | $5,007,230 | $189,831 | $199,999 | $5,397,060 |
| Property Taxes Receivable | 3,822,129 | 0 | 0 | 3,822,129 |
| Accounts Receivable | 2,730 | 0 | 0 | 2,730 |
| Intergovernmental Receivable | 0 | 0 | 119,653 | 119,653 |
| Interfund Receivable | 79,297 | 0 | 0 | 79,297 |
| Materials and Supplies Inventory | 27,658 | 0 | 0 | 27,658 |
| *Total Assets* | $8,939,044 | $189,831 | $319,652 | $9,448,527 |
| ***Liabilities:*** | | | | |
| Accrued Wages and Benefits | $550,797 | $0 | $63,391 | $614,188 |
| Intergovernmental Payable | 74,791 | 0 | 8,865 | 83,656 |
| Interfund Payable | 0 | 0 | 79,297 | 79,297 |
| Matured Compensated Absences Payable | 29,123 | 0 | 0 | 29,123 |
| *Total Liabilities* | 654,711 | 0 | 151,553 | 806,264 |
| ***Deferred Inflows of Resources:*** | | | | |
| Property Taxes | 3,491,557 | 0 | 0 | 3,491,557 |
| Unavailable Revenue | 0 | 0 | 49,987 | 49,987 |
| *Total Deferred Inflows of Resources* | 3,491,557 | 0 | 49,987 | 3,541,544 |
| ***Fund Balances:*** | | | | |
| Nonspendable | 32,285 | 0 | 0 | 32,285 |
| Restricted | 0 | 0 | 169,374 | 169,374 |
| Assigned | 88,793 | 189,831 | 0 | 278,624 |
| Unassigned | 4,671,698 | 0 | (51,262) | 4,620,436 |
| *Total Fund Balances* | 4,792,776 | 189,831 | 118,112 | 5,100,719 |
| *Total Liabilities, Deferred Inflows of Resources and Fund Balances* | $8,939,044 | $189,831 | $319,652 | $9,448,527 |

See accompanying notes to the basic financial statements.

*TRI-COUNTY CAREER CENTER*

*Reconciliation of Total Governmental Fund Balances to*
*Net Position of Governmental Activities*
*June 30, 2018*

| | | |
|---|---|---|
| **Total Governmental Funds Balances** | | $5,100,719 |
| ***Amounts reported for governmental activities in the statement of net position are different because:*** | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 2,961,825 |
| Some of the Career Center's receivables will be collected after fiscal year-end, however are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of: | | |
| Property taxes | 454,298 | |
| Intergovernmental revenue | 49,987 | |
| Total receivables that are not reported in the funds | | 504,285 |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of: | | |
| Compensated absences | | (371,954) |
| 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 | 2,687,581 | |
| Deferred Outflows - OPEB | 72,747 | |
| Deferred Inflows - Pension | (633,925) | |
| Deferred Inflows - OPEB | (213,993) | |
| Net Pension Liability | (8,502,748) | |
| Net OPEB Liability | (1,910,903) | |
| Total | | (8,501,241) |
| *Net Position of Governmental Activities* | | ($306,366) |

See accompanying notes to the basic financial statements.

***TRI-COUNTY CAREER CENTER***

*Statement of Revenues, Expenditures and Changes in Fund Balances*
*Governmental Funds*
*For the Fiscal Year Ended June 30, 2018*

| | General | Permanent Improvement | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| ***Revenues:*** | | | | |
| Property Taxes | $3,492,124 | $0 | $0 | $3,492,124 |
| Intergovernmental | 3,966,015 | 0 | 866,445 | 4,832,460 |
| Interest | 74,432 | 0 | 1,385 | 75,817 |
| Tuition and Fees | 79,101 | 0 | 0 | 79,101 |
| Rent | 0 | 0 | 50 | 50 |
| Customer Sales and Services | 0 | 0 | 48,052 | 48,052 |
| Miscellaneous | 57,410 | 0 | 10,483 | 67,893 |
| *Total Revenues* | 7,669,082 | 0 | 926,415 | 8,595,497 |
| ***Expenditures:*** | | | | |
| *Current:* | | | | |
| *Instruction:* | | | | |
| Regular | 0 | 0 | 83,054 | 83,054 |
| Vocational | 3,898,148 | 0 | 228,198 | 4,126,346 |
| Adult/Continuing | 0 | 0 | 204,549 | 204,549 |
| *Support Services:* | | | | |
| Pupils | 152,611 | 0 | 0 | 152,611 |
| Instructional Staff | 330,572 | 0 | 0 | 330,572 |
| Board of Education | 103,369 | 0 | 0 | 103,369 |
| Administration | 966,457 | 0 | 0 | 966,457 |
| Fiscal | 461,099 | 0 | 0 | 461,099 |
| Business | 110,429 | 0 | 0 | 110,429 |
| Operation and Maintenance of Plant | 757,517 | 256,024 | 0 | 1,013,541 |
| Pupil Transportation | 3,897 | 0 | 2,619 | 6,516 |
| Central | 54,880 | 0 | 93,792 | 148,672 |
| Operation of Non-Instructional Services | 1,042 | 0 | 238,956 | 239,998 |
| Extracurricular Activities | 8,386 | 0 | 0 | 8,386 |
| *Total Expenditures* | 6,848,407 | 256,024 | 851,168 | 7,955,599 |
| *Excess of Revenues Over (Under) Expenditures* | 820,675 | (256,024) | 75,247 | 639,898 |
| ***Other Financing Sources (Uses):*** | | | | |
| Transfers In | 0 | 200,000 | 0 | 200,000 |
| Transfers Out | (225,000) | 0 | 0 | (225,000) |
| *Total Other Financing Sources (Uses)* | (225,000) | 200,000 | 0 | (25,000) |
| *Net Change in Fund Balances* | 595,675 | (56,024) | 75,247 | 614,898 |
| *Fund Balances at Beginning of Year* | 4,197,101 | 245,855 | 42,865 | 4,485,821 |
| *Fund Balances at End of Year* | $4,792,776 | $189,831 | $118,112 | $5,100,719 |

See accompanying notes to the basic financial statements.

*TRI-COUNTY CAREER CENTER*

*Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities*

*For the Fiscal Year Ended June 30, 2018*

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | $614,898 |
| ***Amounts reported for governmental activities in the statement of activities are different because:*** | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. | | 130,784 |
| Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. | | (37,213) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of: | | |
| Property taxes | 96,797 | |
| Intergovernmental | (31,611) | |
| Total receivables not reported in the funds | | 65,186 |
| Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of: | | |
| Compensated absences | | (45,852) |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred revenues. | | 646,565 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | 2,906,401 |
| *Change in Net Position of Governmental Activities* | | $4,280,769 |

See accompanying notes to the basic financial statements.

***TRI-COUNTY CAREER CENTER***

*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 | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| ***Revenues:*** | | | | |
| Property Taxes | $3,504,337 | $3,884,734 | $3,884,432 | ($302) |
| Intergovernmental | 3,691,514 | 3,989,271 | 3,966,015 | (23,256) |
| Interest | 29,000 | 66,228 | 74,432 | 8,204 |
| Tuition and Fees | 91,400 | 78,000 | 79,101 | 1,101 |
| Miscellaneous | 6,854 | 31,513 | 54,920 | 23,407 |
| *Total Revenues* | 7,323,105 | 8,049,746 | 8,058,900 | 9,154 |
| ***Expenditures:*** | | | | |
| *Current:* | | | | |
| *Instruction:* | | | | |
| Vocational | 3,869,826 | 3,953,110 | 3,893,464 | 59,646 |
| *Support Services:* | | | | |
| Pupils | 147,650 | 148,188 | 146,987 | 1,201 |
| Instructional Staff | 314,308 | 364,137 | 344,907 | 19,230 |
| Board of Education | 132,618 | 130,005 | 121,982 | 8,023 |
| Administration | 972,171 | 877,600 | 961,027 | (83,427) |
| Fiscal | 496,182 | 565,235 | 471,227 | 94,008 |
| Business | 110,099 | 123,315 | 115,870 | 7,445 |
| Operation and Maintenance of Plant | 866,812 | 847,686 | 799,555 | 48,131 |
| Pupil Transportation | 1,800 | 3,885 | 3,897 | (12) |
| Central | 59,461 | 70,434 | 54,880 | 15,554 |
| Extracurricular Activities | 3,621 | 16,621 | 8,393 | 8,228 |
| *Total Expenditures* | 6,974,548 | 7,100,216 | 6,922,189 | 178,027 |
| *Excess of Revenues Over (Under) Expenditures* | 348,557 | 949,530 | 1,136,711 | 187,181 |
| ***Other Financing Sources (Uses):*** | | | | |
| Advances In | 90,000 | 90,000 | 90,000 | 0 |
| Advances Out | (90,000) | (40,000) | (40,000) | 0 |
| Transfers Out | (229,500) | (229,500) | (229,500) | 0 |
| *Total Other Financing Sources (Uses)* | (229,500) | (179,500) | (179,500) | 0 |
| *Excess of Revenues and other Financing Sources Over (Under) Expenditures and Other Financing Uses* | 119,057 | 770,030 | 957,211 | 187,181 |
| *Fund Balance at Beginning of Year* | 3,895,484 | 3,895,484 | 3,895,484 | 0 |
| Prior Year Encumbrances Appropriated | 89,710 | 89,710 | 89,710 | 0 |
| *Fund Balance at End of Year* | $4,104,251 | $4,755,224 | $4,942,405 | $187,181 |

See accompanying notes to the basic financial statements

***TRI-COUNTY CAREER CENTER***
*Statement of Net Position*
*Proprietary Funds*
*June 30, 2018*

| | Business-Type Activities | | |
|---|---|---|---|
| | Adult Education | Other Enterprise Funds | Total Enterprise Funds |
| ***Assets:*** | | | |
| *Current Assets:* | | | |
| Equity in Pooled Cash and Cash Equivalents | $466,991 | $60,718 | $527,709 |
| Accounts Receivable | 9,860 | 2,747 | 12,607 |
| *Noncurrent Assets:* | | | |
| *Capital Assets:* | | | |
| Depreciable Capital Assets, Net | 63,393 | 3,181 | 66,574 |
| *Total Assets* | 540,244 | 66,646 | 606,890 |
| ***Deferred Outflows of Resources:*** | | | |
| Pension | 179,456 | 0 | 179,456 |
| OPEB | 3,512 | 0 | 3,512 |
| *Total Deferred Outflows of Resources* | 182,968 | 0 | 182,968 |
| ***Liabilities:*** | | | |
| *Current Liabilities:* | | | |
| Accrued Wages and Benefits | 11,487 | 0 | 11,487 |
| Intergovernmental Payable | 229 | 0 | 229 |
| *Noncurrent Liabilities:* | | | |
| Due Within One Year | 4,430 | 0 | 4,430 |
| Other Amounts Due in More Than One Year | 1,279 | 0 | 1,279 |
| Net Pension Liability | 523,807 | 0 | 523,807 |
| Net OPEB Liability | 142,151 | 0 | 142,151 |
| *Total Liabilities* | 683,383 | 0 | 683,383 |
| ***Deferred Inflows of Resources:*** | | | |
| Pension | 202,016 | 0 | 202,016 |
| OPEB | 15,169 | 0 | 15,169 |
| *Total Deferred Inflows of Resources* | 217,185 | 0 | 217,185 |
| ***Net Position:*** | | | |
| Investment in Capital Assets | 63,393 | 3,181 | 66,574 |
| Unrestricted | (240,749) | 63,465 | (177,284) |
| *Total Net Position* | ($177,356) | $66,646 | ($110,710) |

See accompanying notes to the basic financial statements.

***TRI-COUNTY CAREER CENTER***

*Statement of Revenues,*
*Expenses and Changes in Fund Net Position*
*Proprietary Funds*
*For the Fiscal Year Ended June 30, 2018*

| | Business-Type Activities | | |
|---|---|---|---|
| | Adult Education | Other Enterprise Funds | Total Enterprise Funds |
| ***Operating Revenues:*** | | | |
| Tuition | $276,110 | $0 | $276,110 |
| Sales | 104,691 | 32,114 | 136,805 |
| Charges for Services | 0 | 26,182 | 26,182 |
| Other Operating Revenues | 2,797 | 1,108 | 3,905 |
| *Total Operating Revenues* | 383,598 | 59,404 | 443,002 |
| ***Operating Expenses:*** | | | |
| Salaries | 273,455 | 0 | 273,455 |
| Fringe Benefits | (88,617) | 0 | (88,617) |
| Purchased Services | 31,644 | 0 | 31,644 |
| Materials and Supplies | 88,182 | 55,662 | 143,844 |
| Depreciation | 19,429 | 1,320 | 20,749 |
| Other Operating Expenses | 10,778 | 0 | 10,778 |
| *Total Operating Expenses* | 334,871 | 56,982 | 391,853 |
| *Operating Income (Loss)* | 48,727 | 2,422 | 51,149 |
| ***Nonoperating Revenues (Expenses):*** | | | |
| Federal and State Subsidies | 245,126 | 0 | 245,126 |
| *Total Nonoperating Revenues (Expenses)* | 245,126 | 0 | 245,126 |
| *Income (Loss) before Transfers* | 293,853 | 2,422 | 296,275 |
| Transfers In | 25,000 | 0 | 25,000 |
| *Change in Net Position* | 318,853 | 2,422 | 321,275 |
| *Net Position at Beginning of Year, As Restated (See Note 3)* | (496,209) | 64,224 | (431,985) |
| *Net Position at End of Year* | ($177,356) | $66,646 | ($110,710) |

See accompanying notes to the basic financial statements.

***TRI-COUNTY CAREER CENTER***
*Statement of Cash Flows*
*Proprietary Funds*
*For the Fiscal Year Ended June 30, 2018*

| | Business-Type Activities | | |
|---|---|---|---|
| | Adult Education | Other Enterprise Funds | Total Enterprise Funds |
| ***Increase (Decrease) in Cash and Cash Equivalents:*** | | | |
| ***Cash Flows from Operating Activities:*** | | | |
| Cash Received from Sales and Charges for Services | $104,691 | $57,945 | $162,636 |
| Cash Received from Tuition | 275,552 | 0 | 275,552 |
| Other Cash Receipts | 2,797 | 1,108 | 3,905 |
| Cash Payments to Employees for Services | (279,792) | 0 | (279,792) |
| Cash Payments for Employee Benefits | (134,224) | 0 | (134,224) |
| Cash Payments to Purchased Services | (31,644) | 0 | (31,644) |
| Cash Payments for Goods and Services | (88,182) | (55,662) | (143,844) |
| Other Cash Payments | (10,778) | 0 | (10,778) |
| *Net Cash from Operating Activities* | (161,580) | 3,391 | (158,189) |
| ***Cash Flows from Noncapital Financing Activities:*** | | | |
| Operating Grants Received | 245,126 | 0 | 245,126 |
| Transfers In | 25,000 | 0 | 25,000 |
| *Net Cash from Noncapital Financing Activities* | 270,126 | 0 | 270,126 |
| ***Cash Flows from Capital and Related Financing Activities:*** | | | |
| Purchases of Capital Assets | (9,737) | 0 | (9,737) |
| *Net Cash from Capital and Related Financing Activities* | (9,737) | 0 | (9,737) |
| *Net Increase (Decrease) in Cash and Cash Equivalents* | 98,809 | 3,391 | 102,200 |
| *Cash and Cash Equivalents at Beginning of Year* | 368,182 | 57,327 | 425,509 |
| *Cash and Cash Equivalents at End of Year* | $466,991 | $60,718 | $527,709 |
| ***Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:*** | | | |
| Operating Income (Loss) | $48,727 | $2,422 | $51,149 |
| ***Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:*** | | | |
| Depreciation | 19,429 | 1,320 | 20,749 |
| *(Increase) Decrease in Assets and Deferred Outflows of Resources:* | | | |
| Accounts Receivable | (558) | (351) | (909) |
| Deferred Outflows of Resources | (10,043) | 0 | (10,043) |
| *Increase (Decrease) in Liabilities and Deferred Inflows of Resources:* | | | |
| Accrued Wages and Benefits | (6,337) | 0 | (6,337) |
| Intergovernmental Payable | (49) | 0 | (49) |
| Compensated Absences Payable | 248 | 0 | 248 |
| Net Pension Liability | (179,063) | 0 | (179,063) |
| Deferred Inflows of Resources | (33,934) | 0 | (33,934) |
| Total Adjustments | (210,307) | 969 | (209,338) |
| *Net Cash from Operating Activities* | ($161,580) | $3,391 | ($158,189) |

See accompanying notes to the basic financial statements.

***TRI-COUNTY CAREER CENTER***

*Statement of Fiduciary Net Position*

*Fiduciary Fund*

*June 30, 2018*

| | Agency |
|---|---|
| ***Assets:*** | |
| Equity in Pooled Cash and Cash Equivalents | $46,941 |
| *Total Assets* | 46,941 |
| ***Liabilities:*** | |
| Due to Students | 46,941 |
| *Total Liabilities* | $46,941 |

See accompanying notes to the basic financial statements.

## *NOTE 1 - DESCRIPTION OF THE CAREER CENTER AND REPORTING ENTITY*

The Tri-County Career Center (the Career Center) is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A vocational school exposes students to job training leading to employment upon graduation from high school. The Career Center includes eight participating Districts spread throughout Athens, Hocking and Perry Counties.

The Career Center operates under an eleven-member Board of Education and is responsible for the provision of public education to residents of the Career Center. The Board of Education of the Career Center is not directly elected. The Board members are appointed by the elected boards of the participating school districts. The Board consists of five members from the three city school districts and six members from the two county educational service center districts. The Career Center has an enrollment of 447 students and is staffed by 29 classified, 47 certified and 5 administrative employees.

### ***Reporting Entity***

The financial reporting entity consists of the stand-alone government, component units, and other governmental organizations that are included to ensure the financial statements of the Career Center are not misleading or incomplete. The stand-alone government consists of all funds, departments, boards, and agencies that are not legally separate from the Career Center. For the Career Center, this includes general operations, student guidance, extra-curricular activities, educational media, care and upkeep of grounds and buildings, food service, and adult education.

Component units are legally separate organizations for which the Career Center appoints a voting majority of the organization's governing board and (1) the Career Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Career Center is legally entitled to or can otherwise access the organizations' resources; the Career Center is legally obligated or has otherwise assumed the responsibility to finance the organization; or the Career Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Career Center in that the Career Center approved the budget, the issuance of debt, or the levying of taxes. No separate governmental units meet the criteria for inclusion as a component unit.

The Career Center is involved with the META Solutions, Southeastern Ohio Special Education Regional Resource Center (SERRC), Athens County School Employees Health and Welfare Benefit Association, Coalition of Rural and Appalachian Schools, and Ohio Coalition of Equity and Adequacy of School Funding, which are defined as jointly governed organizations. The Career Center is also associated with the Ohio School Boards Association Workers' Compensation Group Rating Program which is defined as an insurance purchasing pool. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

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

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

### *A. Basis of Presentation*

The Career Center'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 the Career Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the Career Center that are governmental and those that are considered business-type activities.

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

### *Fund Financial Statements*

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

### *B. Fund Accounting*

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

### *Governmental Funds*

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

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

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

> ***General Fund*** - This fund is the operating fund of the Career Center and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the Career Center for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Permanent Improvement Fund*** - This fund is used to account for financial resources to be used for the acquisition, construction or improvement of capital facilities.

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

***Proprietary Funds***

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

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

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

The other proprietary funds of the Career Center account for transactions made in connection with tools and supplies provided to and rotary accounts maintained for the vocational education classes.

***Fiduciary Funds***

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Career Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Career Center's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Career Center's only fiduciary fund is an agency fund which is used to account for student-managed activities.

***C. Measurement Focus***

***Government-Wide Financial Statements***

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

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

### *Fund Financial Statements*

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the Career Center finances and meets the cash flow needs of its proprietary activities.

### *D. Basis of Accounting*

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

### *Revenues - Exchange and Nonexchange Transactions*

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

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

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

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

***Deferred Outflows/Inflows of Resources***

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension/OPEB are explained in Notes 11 and 12.

In addition to the liabilities, the Statements of Net 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 as an inflow of resources (revenue) until that time. For the Career Center, deferred inflows of resources include property taxes, unavailable revenue, and pension/OPEB. 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 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the Career Center, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the government-wide Statement of Net Position (See Notes 11 and 12).

***Expenses/Expenditures***

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

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

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

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

During the fiscal year 2018, the Career Center’s investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2018.

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 $74,432 which includes $11,963 assigned from other Career Center funds.

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

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

***F. Inventory***

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption and donated and purchased food held for resale. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed, used or sold.

***G. 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.

***H. Capital Assets***

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

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

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

| Description | Estimated Lives |
|---|---|
| Buildings and Improvements | 20 - 50 years |
| Furniture, Fixtures and Equipment | 5 - 10 years |
| Vehicles | 10 years |

***I. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable". These amounts are eliminated in the governmental activities column of the Statement of Net Position.

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

### *J. Compensated Absences*

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Career Center has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the Career Center’s termination policy. The Career Center records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 15 years of service with the Career Center.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

### *K. Pensions*

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon 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.

### *L. 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 judgments, compensated absences, special termination of benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Long-term liabilities are recognized as a liability on the fund financial statements when due.

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

***M. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position invested in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Career Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Net position restricted for other purposes is primarily for federal and state grants reported in the Special Revenue Funds.

The Career Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the Career Center's restricted net position of $296,663, none is restricted by enabling legislation.

***N. Fund Balances***

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

***Nonspendable*** – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a 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, 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 specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** – The committed fund balance category includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Career Center's Board of Education. Those committed amounts cannot be used for any other purpose unless the 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 the Career Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Career Center's Board of Education.

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

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

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the Career Center considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the Career Center considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

### *O. Operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Career Center, these revenues are tuition, classroom fees and charges for services for the adult education program and vocational education classes. Operating expenses are necessary costs incurred to provide the service that is the primary activity of that fund.

### *P. Interfund Transactions*

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 to the funds that initially paid for them are not presented on the financial statements.

### *Q. Estimates*

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

### *R. Budgetary Process*

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Career Center Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2018.

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

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

***NOTE 3 – NEW GASB PRONOUNCEMENTS***

For fiscal year 2018, the Career Center implemented 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).*

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 the Career Center's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

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:

| | Governmental Activities | Business-Type Activities | Adult Education |
|---|---|---|---|
| Net Position June 30, 2017 | ($2,233,836) | ($265,387) | ($329,611) |
| *Adjustments:* | | | |
| Net OPEB Liability | (2,360,361) | (166,598) | (166,598) |
| Deferred Outflow - Payments Subsequent to Measurement Date | 7,062 | 0 | 0 |
| Restated Net Position June 30, 2017 | ($4,587,135) | ($431,985) | ($496,209) |

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

***NOTE 4 - BUDGETARY BASIS OF ACCOUNTING***

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

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

***NOTE 4 - <u>BUDGETARY BASIS OF ACCOUNTING</u>*** – (Continued)

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed or assigned fund balance (GAAP basis).

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

5. Certain funds are maintained as separate funds for accounting and budgetary purposes (budget basis) but do not meet the criteria for separate reporting in the financial statements (GAAP basis) and are reported in the General Fund in accordance with GASB Statement No. 54.

The following tables summarize the adjustments necessary to reconcile the GAAP and budget basis statements for the General Fund:

| Net Change in Fund Balance | |
|---|---|
| | General |
| GAAP Basis | $595,675 |
| *Adjustments:* | |
| Revenue Accruals | 391,477 |
| Expenditure Accruals | 2,881 |
| Encumbrances | (82,520) |
| Other Sources | 50,000 |
| *Prospective Difference:* | |
| GAAP Reporting Purposes | (302) |
| Budget Basis | $957,211 |

***NOTE 5 - <u>ACCOUNTABILITY</u>***

Fund balances at June 30, 2018 included the following individual fund deficits:

| | |
|---|---|
| *Nonmajor Special Revenue Funds:* | |
| Miscellaneous State Grants | $38,297 |
| Driver's Education Grant | 250 |
| Vocational Education Grant | 11,304 |
| Miscellaneous Federal Grants | 1,411 |

The deficit in each of these funds is the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. These deficits will be eliminated as future expected revenues are received. These deficits do not exist on the cash basis. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

## *NOTE 6 - CASH, DEPOSITS AND INVESTMENTS*

State statutes require the classification of monies held by the Career Center into three categories:

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current two 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 accounts including pass book accounts.

Protection of the Career Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by the financial institutions participation in the Ohio Pooled Collateral Systems (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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of 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. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAROhio);

***NOTE 6 - <u>CASH, DEPOSITS AND INVESTMENTS</u>*** - (Continued)

7. Certain bankers' acceptances and commercial paper notes, for a period not to exceed one hundred and eighty days, in an amount not to exceed forty percent of interim moneys available for investment at any time; and

8. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

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

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

***<u>Investments:</u>*** Investments are reported at fair value. As of June 30, 2018, the Career Center had the following investments and maturities:

| Investment Type | Fair Value | 6 Months or Less |
|---|---|---|
| STAR Ohio | $5,749,863 | $5,749,863 |
| Totals | $5,749,863 | $5,749,863 |

***NOTE 6 - CASH, DEPOSITS AND INVESTMENTS*** - (Continued)

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Career Center's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Standard and Poor's has assigned STAROhio an "AAAm" money market rating.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Career Center's investment policy allows investments in eligible securities as described in the Ohio Revised Code.

*Custodial Credit Risk:* For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the Career Center will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Career Center policy provides that investment collateral is held by the counter party as trust department or agent, and may be held in the name of the Career Center or not.

The classification of cash and cash equivalent on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents on the basic financial statements and the classification of deposits and investments in GASB Statement No. 3 follows:

| | Cash and Cash Equivalents/Deposits | Investments |
|---|---|---|
| GASB Statement No. 9 | $5,971,710 | $0 |
| *Investments:* | | |
| STAR Ohio | (5,749,863) | 5,749,863 |
| GASB Statement No. 3 | $221,847 | $5,749,863 |

***NOTE 7 - PROPERTY TAXES***

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility property located within the Career Center's boundaries. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at varying percentages of true value (with certain exceptions) and on real property at thirty-five percent of true value.

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

***NOTE 7 - PROPERTY TAXES*** – (Continued)

| | 2017 Second-Half Collections | | 2018 First - Half Collections | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Agricutlteral/Residential and Other Real Estate | $1,607,636,980 | 86.12% | $1,698,148,060 | 86.73% |
| Public Utility Personal | 259,049,020 | 13.88% | 259,768,680 | 13.27% |
| Total Assessed Value | $1,866,686,000 | 100.00% | $1,957,916,740 | 100.00% |
| Tax Rate per $1,000 of Assessed Valuation | $3.30 | | $3.30 | |

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 earlier or later payment dates to be established.

The Career Center receives property taxes from Athens, Hocking, Meigs, Morgan, Perry, and Vinton Counties. The County Auditor of each county periodically advances to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by each county by June 30, 2018 is 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 represents delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2018. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The Career Center had $330,572 available for advance to the General Fund at June 30, 2018.

***NOTE 8 - RECEIVABLES***

Receivables at June 30, 2018 consisted of taxes, accounts (tuition and fees), intergovernmental grants and entitlements, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivable follows:

| | |
|---|---|
| *Nonmajor Special Revenue Funds:* | |
| Miscellaneous State Grants | $49,987 |
| Vocational Education | 68,525 |
| Title IIA | 1,141 |
| *Total Nonmajor Special Revenue Funds* | 119,653 |
| Total Intergovernmental Receivable | $119,653 |

## *NOTE 9 - CAPITAL ASSETS*

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

| Asset Category | Balance at July 1, 2017 | Additions | Deletions | Balance at June 30, 2018 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| *Nondepreciable Capital Assets:* | | | | |
| Land | $34,308 | $0 | $0 | $34,308 |
| Construction in Progress | 300,631 | 94,698 | (35,534) | 359,795 |
| Total Nondepreciable Capital Assets | 334,939 | 94,698 | (35,534) | 394,103 |
| *Depreciable Capital Assets:* | | | | |
| Land Improvements | 473,506 | 0 | 0 | 473,506 |
| Buildings and Improvements | 5,173,976 | 35,534 | 0 | 5,209,510 |
| Furniture, Fixtures and Equipment | 3,736,517 | 244,681 | (44,582) | 3,936,616 |
| Vehicles | 627,301 | 0 | 0 | 627,301 |
| Total Depreciable Capital Assets | 10,011,300 | 280,215 | (44,582) | 10,246,933 |
| Total Capital Assets | 10,346,239 | 374,913 | (80,116) | 10,641,036 |
| *Less Accumulated Depreciation:* | | | | |
| Land Improvements | (21,703) | (23,675) | 0 | (45,378) |
| Buildings and Improvements | (3,866,306) | (33,869) | 0 | (3,900,175) |
| Furniture, Fixtures and Equipment | (3,089,933) | (171,124) | 42,903 | (3,218,154) |
| Vehicles | (500,043) | (15,461) | 0 | (515,504) |
| Total Accumulated Depreciation | (7,477,985) | (244,129) | 42,903 | (7,679,211) |
| Total Net Capital Assets | $2,868,254 | $130,784 | ($37,213) | $2,961,825 |

***NOTE 9 - CAPITAL ASSETS*** - (Continued)

Depreciation expense was charged to governmental functions as follow:

| | |
|---|---|
| *Instruction:* | |
| Regular | $1,347 |
| Vocational | 122,593 |
| *Support Services:* | |
| Pupils | 3,196 |
| Instructional Staff | 14,172 |
| Administration | 2,967 |
| Fiscal | 1,663 |
| Business | 1,333 |
| Operation and Maintenance of Plant | 84,128 |
| Pupil Transportation | 4,398 |
| Central | 685 |
| Operation of Non-Instructional Services | 7,647 |
| Total Depreciation Expense | $244,129 |

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

| Asset Category | Balance at July 1, 2017 | Additions | Deletions | Balance at June 30, 2018 |
|---|---|---|---|---|
| Business-Type Activities: | | | | |
| *Depreciable Capital Assets:* | | | | |
| Furniture, Fixtures and Equipment | $381,737 | $9,737 | ($20,021) | $371,453 |
| *Less Accumulated Depreciation:* | | | | |
| Furniture, Fixtures and Equipment | (304,151) | (20,749) | 20,021 | (304,879) |
| Business-Type Activities Capital Assets, Net | $77,586 | ($11,012) | $0 | $66,574 |

## *NOTE 10 - RISK MANAGEMENT*

The Career Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the Career Center contracted with Reed & Baur Insurance Agency Inc. for property and fleet insurance, inland marine insurance, liability insurance and employee blanket bond, and with the Ohio School Boards Association Bond Program for public official bonds. Coverages provided at June 30, 2018 are as follows:

| | |
|---|---|
| Building and Contents-replacement cost ($2,500 deductible) | $34,603,434 |
| Inland Marine Coverage ($500 deductible) | 447,065 |
| Automobile Liability ($500 deductible) | 2,000,000 |
| Automobile Medical Payments | 5,000 |
| Uninsured Motorists ($0 deductible) | 1,000,000 |
| *General Liability:* | |
| Medical Expense Limit (any one person) | 15,000 |
| Fire Damage Limit (any one fire) | 300,000 |
| Per Occurrence | 2,000,000 |
| Total Per Year | 3,000,000 |
| School Leaders Errors and Omissions ($10,000 deductible) | 2,000,000 |
| *Public Official Bonds:* | |
| Treasurer | 250,000 |
| Superintendent, Board President, Board Vice-President (each) | 20,000 |
| Employee Blanket Bond ($1,000 deductible) | 50,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years.

### ***Workers' Compensation***

For fiscal year 2018, the Career Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the Career Center by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school district is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

## *NOTE 11 - DEFINED BENEFIT PENSION PLANS*

### ***Net Pension Liability***

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

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

### ***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

***NOTE 11 - DEFINED BENEFIT PENSION PLANS*** – (Continued)

| | 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<br>Age 65 with 5 years of service credit | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>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 year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

***Funding Policy*** – Plan members are required to contribute 10 percent of their annual covered salary and the Career Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. 0.5 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Career Center's contractually required contribution to SERS was $161,825 for fiscal year 2018. Of this amount $0 was reported as intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

***Plan Description*** – Career Center licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement 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 will be 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.

***NOTE 11 - DEFINED BENEFIT PENSION PLANS*** – (Continued)

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, member contributions are allocated among investment choices by the member, and employer contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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 that 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, plan members were required to contribute 14 percent of their annual covered salary. The Career Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The Career Center's contractually required contribution to STRS was $512,556 for fiscal year 2018. Of this amount $67,472 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. The Career Center's proportion of the net pension liability was based on the Career Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

***NOTE 11 - DEFINED BENEFIT PENSION PLANS*** – (Continued)

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the Net Pension Liability | | | |
| Prior Measurement Date | 0.03957540% | 0.02943524% | |
| Current Measurement Date | 0.03669100% | 0.02876989% | |
| Change in Proportionate Share | -0.00288440% | -0.00066535% | |
| Proportionate Share of the Net Pension Liability | $2,192,206 | $6,834,349 | $9,026,555 |
| Pension Expense | ($127,386) | ($2,660,299) | ($2,787,685) |

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

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between Expected and Actual Experience | $94,345 | $263,913 | $358,258 |
| Change in Assumptions | 113,361 | 1,494,747 | 1,608,108 |
| Changes in Proportion and Differences between Career Center Contributions and Proportionate Share of Contributions | 33,111 | 193,179 | 226,290 |
| Career Center Contributions Subsequent to the Measurement Date | 161,825 | 512,556 | 674,381 |
| Total Deferred Outflows of Resources | $402,642 | $2,464,395 | $2,867,037 |
| **Deferred Inflows of Resources** | | | |
| Differences between Expected and Actual Experience | $0 | $55,082 | $55,082 |
| Net Difference between Projected and Actual Investment Earnings | 10,404 | 225,538 | 235,942 |
| Changes in proportion and differences between Career Center Contributions and Proportionate share of Contributions | 166,982 | 377,935 | 544,917 |
| Total Deferred Inflows of Resources | $177,386 | $658,555 | $835,941 |

$674,381 reported as deferred outflows of resources related to pension resulting from Career Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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:

***NOTE 11 - DEFINED BENEFIT PENSION PLANS*** – (Continued)

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2019 | $39,928 | $290,052 | $329,980 |
| 2020 | 78,668 | 596,867 | 675,535 |
| 2021 | (4,060) | 324,088 | 320,028 |
| 2022 | (51,105) | $82,277 | 31,172 |
| Total | $63,431 | $1,293,284 | $1,356,715 |

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 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 | 2.50 percent |
| Investment Rate of Return | 7.50 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

## *NOTE 11 - **DEFINED BENEFIT PENSION PLANS*** - (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 1.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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

***NOTE 11 - <u>DEFINED BENEFIT PENSION PLANS</u>*** - (Continued)

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| Career Center's Proportionate Share of the Net Pension Liability | $3,042,213 | $2,192,206 | $1,480,153 |

***<u>Actuarial Assumptions - STRS</u>***

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | July 1, 2017 | July 1, 2016 |
|---|---|---|
| Inflation | 2.50% | 2.75% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 | 12.25% at age 20 to 2.75% at age 70 |
| Investment Rate of Return | 7.45%, net of investment expenses | 7.75%, net of investment expenses |
| Payroll Increases | 3% | 3.50% |
| Cost-of-Living Adjustments (COLA) | 0.00% effective July 1, 2017 | 2 % simple appled as follows: for members retiring before August 1, 2013, or later, 2 % COLA commences on 5th 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.

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 by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

***NOTE 11 - DEFINED BENEFIT PENSION PLANS*** - (Continued)

| Asset Class | Target Allocation | Long-Term Expected Real 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 | 100.00% | |

* 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 Ohio's 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 7.75% as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

***Sensitivity of the Career Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** -The following table presents the Career Center's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the Career Center 's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|---|---|---|
| Career Center's Proportionate Share of the Net Pension Liability | $9,796,807 | $6,834,349 | $4,338,922 |

## *NOTE 12 - DEFINED BENEFIT OPEB PLANS*

### ***School Employees Retirement System***

***Net OPEB Liability***

The net OPEB liability reported on the Statement of Net Position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Career Center’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net 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.

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

### ***Plan Description - School Employees Retirement System (SERS)***

***Health Care Plan Description -*** The Career Center 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.

***NOTE 12 - DEFINED BENEFIT OPEB PLANS*** – (Continued)

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 aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the Career Center's surcharge obligation was $5,468.

The surcharge, added to the 0.5 percent allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Career Center's contractually required contribution to SERS was $5,994 for fiscal year 2018. Of this amount $0 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. The Career Center's proportion of the net OPEB liability was based on the Career Center'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:

***NOTE 12 - DEFINED BENEFIT OPEB PLANS*** – (Continued)

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the Net OPEB Liability | | | |
| Prior Measurement Date | 0.03467400% | 0.02876989% | |
| Current Measurement Date | 0.03467400% | 0.02876989% | |
| Change in Proportionate Share | 0.00000000% | 0.00000000% | |
| Proportionate Share of the Net OPEB Liability | $930,559 | $1,122,495 | $2,053,054 |
| OPEB Expense | $40,048 | ($342,526) | ($302,478) |

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

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between expected and actual experience | $0 | $64,797 | $64,797 |
| Career Center contributions subsequent to the measurement date | 11,462 | 0 | 11,462 |
| Total Deferred Outflows of Resources | $11,462 | $64,797 | $76,259 |
| **Deferred Inflows of Resources** | | | |
| Differences between expected and actual experience | $2,458 | $0 | $2,458 |
| Net difference between projected and Actual Investment | 88,306 | 47,977 | 136,283 |
| Changes of assumptions | 0 | 90,420 | 90,420 |
| Total Deferred Inflows of Resources | $90,764 | $138,397 | $229,161 |

$11,462 reported as deferred outflows of resources related to OPEB resulting from Career Center 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:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2019 | ($32,608) | ($16,266) | ($48,874) |
| 2020 | (32,608) | (16,266) | (48,874) |
| 2021 | (24,932) | (16,266) | (41,198) |
| 2022 | (616) | (16,263) | (16,879) |
| 2023 | 0 | (4,271) | (4,271) |
| Thereafter | 0 | (4,268) | (4,268) |
| Total | ($90,764) | ($73,600) | ($164,364) |

***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.

***NOTE 12 - DEFINED BENEFIT OPEB PLANS*** – (Continued)

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

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

Key methods and assumptions used in calculating the total 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.

***NOTE 12 - DEFINED BENEFIT OPEB PLANS*** – (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

***Discount Rate*** The 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 the School Career Center'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%) |
|---|---|---|---|
| Career Center's proportionate share of the net OPEB liability | $1,123,769 | $930,559 | $777,488 |

***NOTE 12 - DEFINED BENEFIT OPEB PLANS*** – (Continued)

| | 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 %) |
|---|---|---|---|
| Career Center's proportionate share of the net OPEB liability | $755,079 | $930,559 | $1,162,810 |

***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:

| | |
|---|---|
| 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.

***NOTE 12 - DEFINED BENEFIT OPEB PLANS*** – (Continued)

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.

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 | Allocation | 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 | 100.00 % | |

* 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 Ohio's 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 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 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.

***NOTE 12 - <u>DEFINED BENEFIT OPEB PLANS</u>*** – (Continued)

***Sensitivity of the Career Center'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.

| | 1% Decrease (3.13%) | Current Discount Rate (4.13%) | 1% Increase (5.13%) |
|---|---|---|---|
| Career Center's proportionate share of the net OPEB liability | $1,506,931 | $1,122,495 | $818,664 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| Career Center's proportionate share of the net OPEB liability | $779,861 | $1,122,495 | $1,573,441 |

***NOTE 13 - <u>OTHER EMPLOYEE BENEFITS</u>***

***<u>Compensated Absences</u>***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators (including the Superintendent and Treasurer) earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is not paid to classified employees upon termination of employment; however, employees are encouraged to exhaust accumulated and unused vacation time prior to termination. Teachers 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 320 days for teachers, administrators and classified employees. Upon retirement, teachers, administrators and classified employees receive one-fourth of the total sick leave accumulation up to a maximum of eighty (80) days.

***NOTE 14 - LONG-TERM OBLIGATIONS***

The changes in the Career Center's long-term liabilities for governmental activities during fiscal year 2018 were as follows:

| | *Principal Outstanding at July 1, 2017 | Additions | Deletions | Principal Outstanding at June 30, 2018 | Amount Due In One Year |
|---|---|---|---|---|---|
| *Governmental Activities:* | | | | | |
| *Net Pension Liability:* | | | | | |
| STRS | $9,423,274 | $0 | $2,897,089 | $6,526,185 | $0 |
| SERS | 2,647,719 | 0 | 671,156 | 1,976,563 | 0 |
| Total Net Pension Liability | 12,070,993 | 0 | 3,568,245 | 8,502,748 | 0 |
| *Net OPEB Liability:* | | | | | |
| STRS | $1,469,244 | $0 | $397,363 | $1,071,881 | $0 |
| SERS | 891,117 | 0 | 52,095 | 839,022 | 0 |
| Total Net OPEB Liability | 2,360,361 | 0 | 449,458 | 1,910,903 | 0 |
| Compensated Absences Payable | 326,102 | 194,116 | 148,264 | 371,954 | 93,150 |
| Total Governmental Activities Long-Term Obligations | $14,757,456 | $194,116 | $4,165,967 | $10,785,605 | $93,150 |

*Restated

The Career Center pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences for governmental activities will be paid from the fund from which the employee is paid.

The changes in the Career Center's long-term liabilities for business-type activities during fiscal year 2018 were as follows:

| | *Principal Outstanding at July 1, 2017 | Additions | Deletions | Principal Outstanding at June 30, 2018 | Amount Due In One Year |
|---|---|---|---|---|---|
| *Business-Type Activities:* | | | | | |
| *Net Pension Liability:* | | | | | |
| STRS | $429,588 | $0 | $121,424 | $308,164 | $0 |
| SERS | 248,835 | 0 | 33,192 | 215,643 | 0 |
| Total Net Pension Liability | 678,423 | 0 | 154,616 | 523,807 | 0 |
| *Net OPEB Liability:* | | | | | |
| STRS | $69,377 | $0 | $18,763 | $50,614 | $0 |
| SERS | 97,221 | 0 | 5,684 | 91,537 | 0 |
| Total Net OPEB Liability | 166,598 | 0 | 24,447 | 142,151 | 0 |
| Compensated Absences Payable | 5,461 | 11,609 | 11,361 | 5,709 | 4,430 |
| Total Business-Type Activities Long-Term Obligations | $850,482 | $11,609 | $190,424 | $671,667 | $4,430 |

*Restated

Compensated absences for business-type activities will be paid from the Adult Education Fund.

## *NOTE 15– FUND BALANCES*

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

| | General | Permanent Improvement | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| *Nonspendable:* | | | | |
| Inventory | $27,658 | $0 | $0 | $27,658 |
| Unclaimed Monies | 4,627 | 0 | 0 | 4,627 |
| *Total Nonspendable* | 32,285 | 0 | 0 | 32,285 |
| *Restricted:* | | | | |
| *Special Revenues:* | | | | |
| Food Service | 0 | 0 | 74,232 | 74,232 |
| Special Trust | 0 | 0 | 87,066 | 87,066 |
| Other Grants | 0 | 0 | 8,076 | 8,076 |
| *Total Restricted* | 0 | 0 | 169,374 | 169,374 |
| *Assigned:* | | | | |
| *Encumbrances:* | | | | |
| Vocational | 26,101 | 0 | 0 | 26,101 |
| Instructional Staff | 3,497 | 0 | 0 | 3,497 |
| Board of Education | 18,150 | 0 | 0 | 18,150 |
| Administration | 20 | 0 | 0 | 20 |
| Business | 3,980 | 0 | 0 | 3,980 |
| Operation and Maintenance of Plant | 30,772 | 0 | 0 | 30,772 |
| Public School Support | 6,273 | 0 | 0 | 6,273 |
| Permanent Improvement | 0 | 189,831 | 0 | 189,831 |
| *Total Assigned* | 88,793 | 189,831 | 0 | 278,624 |
| *Unassigned* | 4,671,698 | 0 | (51,262) | 4,620,436 |
| Total Fund Balances | $4,792,776 | $189,831 | $118,112 | $5,100,719 |

## *NOTE 16- INTERFUND ACTIVITY*

As of June 30, 2018, receivables and payables that resulted from various interfund transactions were as follows:

| | Interfund Receivable | Interfund Payable |
|---|---|---|
| General Fund | $79,297 | $0 |
| *Nonmajor Special Revenue Funds:* | | |
| Food Service | 0 | 10,000 |
| Miscellaneous State Grants | 0 | 40,450 |
| Driver's Education | 0 | 250 |
| Vocational Education Grant | 0 | 26,045 |
| Title II-A | 0 | 1,141 |
| Miscellaneous Federal Grants | 0 | 1,411 |
| Total Nonmajor Special Revenue Funds | 0 | 79,297 |
| Totals | $79,297 | $79,297 |

The balance of $79,297 due to the General Fund from the funds listed is the result of loans made from the General Fund to these funds.

| Transfers From | Permanent Improvement | Adult Education | Total |
|---|---|---|---|
| General | $200,000 | $25,000 | $225,000 |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## *NOTE 17- JOINTLY GOVERNED ORGANIZATIONS*

### *Meta Solutions*

The Career Center participates in the Metropolitan Educational Technology Association (META), formed from the merger of the Metropolitan Educational Council (MEC) and the Southeastern Ohio Voluntary Education Cooperative (SEOVEC) during fiscal year 2016, which is 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 nonmembers 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 the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation of the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. Financial information can be obtained from the Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302. The Career Center made payments of $36,043 to META for fiscal year 2018.

### *Southeastern Ohio Special Education Regional Resource Center*

The Southeastern Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Career Center's Superintendent is on the SERRC Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 39105 Bradbury Road, Middleport, Ohio 45760.

### *Athens County School Employees Health and Welfare Benefit Association*

The Career Center is a participant in a consortium of seven districts to operate the Athens County School Employees Health and Welfare Benefit Association. The Association was created to provide health care and dental benefits for the employees and eligible dependents of employees of participating districts. The Association has contracted with Anthem Insurance Company to be the health care provider for medical benefits as well as to provide aggregate and specific stop-loss insurance coverage, and Coresource to provide administration of its dental benefits. The Association is governed by a Board of Directors consisting of one representative of each of the participating districts. Financial information for the Association can be obtained from the administrators at Combs & Associates, P.O. Box 735, Kenton, Ohio 43326.

## *NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS*- (Continued)

### *Coalition of Rural and Appalachian Schools*

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the Career Center and the Career Center does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2018, the Career Center made no significant payments for membership. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at Lindley Hall Room 200, Ohio University, Athens, Ohio 45701.

### *The Ohio Coalition of Equity and Adequacy of School Funding*

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionally of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. The Committee exercises total control over budgeting, appropriating, contracting, and the designation of management. Member school districts and joint vocational schools pay dues of $0.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of $0.50 per pupil for K-12 districts and educational service centers pay dues of $0.05 per pupil. The Coalition is not dependent on the continued participation of the Career Center and the Career Center does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2018, the Career Center paid $207 to the Coalition. To obtain financial information write to Ohio Coalition of Equity and Adequacy of Scool Funding at 100 South Third Steet, Columbus, Ohio 43215.

## *NOTE 18 - INSURANCE PURCHASING POOL*

### *Ohio School Boards Association Workers' Compensation Group Rating Program*

The Career Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (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 Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

## *NOTE 19- __CONTINGENCIES__*

### *A. __Grants__*

The Career Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Career Center at June 30, 2018, if applicable, cannot be determined at this time.

### *B. __Litigation__*

The Career Center is involved in no pending litigation that would have a material effect on the financial condition of the Career Center.

### *C. __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 schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 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, the Career Center.

## *NOTE 20 - __STATUTORY SET-ASIDES__*

The following changes occurred in the Career Center's set-aside reserve account during fiscal year 2018:

| | Capital Improvements |
|---|---|
| Set-Aside Balance as of July 1, 2017 | $0 |
| Current Year Set-Aside Requirement | 74,182 |
| Qualifying Disbursements | (369,967) |
| Total | ($295,785) |
| Set-Aside Balance as of June 30, 2018 | $0 |
| Total Restricted Assets | $0 |

Although the Career Center had qualifying disbursements during the year that reduced the set-aside amount to below zero for the capital improvement set-asides, this amount may not be used to reduce the set-aside requirement for future years. The negative balance is therefore not presented as being carried forward to future years.

## *NOTE 21 – ENCUMBRANCE COMMITMENTS*

At June 30, 2018, the Career Center had encumbrance commitments in the Governmental Funds as follows:

| | |
|---|---|
| Major Fund | |
| General | $82,520 |
| Permanent Improvement | 98,058 |
| | |
| Nonmajor Funds | |
| Tech Prep Grants | 8,076 |
| Miscellaneous State Grants | 1,448 |
| Vocational Education | 42,480 |
| Total Nonmajor Funds | 52,004 |
| | |
| Total Encumbrances | $232,582 |

## *NOTE 22 – CONTRACTUAL COMMITMENTS*

As of June 30, 2018, the Career Center had contractual purchase commitments for various projects related to the Career Center’s renovations and new construction. The amount for each project is as follows.

| Contractor | Trade | Contract Amounts | Amounts Paid as of June 30, 2018 | Amounts Remaining on Contracts |
|---|---|---|---|---|
| Scherr Architects | Welding Lab Expansion | $49,000 | $0 | $49,000 |
| META Solutions | Replace Phones and Sytems | 45,698 | 0 | 45,698 |
| Total | | $94,698 | $0 | $94,698 |

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## *TRI-COUNTY CAREER CENTER*

*Schedule of the Career Center's Proportionate Share of Net Pension Liablity*

*Last Five Measurement Periods (1)*

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| ***School Employees Retirement System of Ohio*** | | | | | |
| Career Center's Proportion of the Net Pension Liability | 0.03669100% | 0.03957540% | 0.04005780% | 0.03936200% | 0.03936200% |
| Career Center's Proportionate Share of the Net Pension Liability | $2,192,206 | $2,896,554 | $2,285,737 | $1,992,088 | $2,340,732 |
| Career Center's Covered-Employee Payroll | $1,176,600 | $1,228,964 | $1,204,939 | $1,362,468 | $1,363,273 |
| Career Center's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll | 186.32% | 235.69% | 189.70% | 146.21% | 171.70% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |
| ***State Teachers Retirement System of Ohio*** | | | | | |
| Career Center's Proportion of the Net Pension Liability | 0.02876989% | 0.02943524% | 0.03079162% | 0.02913008% | 0.02913008% |
| Career Center's Proportionate Share of the Net Pension Liability | $6,834,349 | $9,852,862 | $8,509,903 | $7,085,444 | $8,440,134 |
| Career Center's Covered-Employee Payroll | $3,229,093 | $3,151,107 | $3,191,050 | $3,657,077 | $3,541,500 |
| Career Center's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll | 211.65% | 312.68% | 266.68% | 193.75% | 238.32% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.30% | 66.80% | 72.10% | 74.70% | 69.30% |

(1) Information prior to 2013 is not available.

Amounts presented as of the Career Center's measurement date which is the prior fiscal year end.

## *TRI-COUNTY CAREER CENTER*

*Schedule of the Career Center's Proportionate Share of Net OPEB Liablity*

*Last Two Measurement Periods (1)*

| | 2017 | 2016 |
|---|---|---|
| ***School Employees Retirement System of Ohio*** | | |
| Career Center's Proportion of the Net OPEB Liability | 0.03467400% | 0.03467400% |
| Career Center's Proportionate Share of the Net OPEB Liability | $930,559 | $988,337 |
| Career Center's Covered-Employee Payroll | $1,176,600 | $1,228,964 |
| Career Center's Proportionate Share of the Net OPEB Liability as a Percentage of it's Covered-Employee Payroll | 79.09% | 80.42% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 12.46% | 11.49% |
| ***State Teachers Retirement System of Ohio*** | | |
| Career Center's Proportion of the Net OPEB Liability | 0.02876989% | 0.02876989% |
| Career Center's Proportionate Share of the Net OPEB Liability | $1,122,495 | $1,538,621 |
| Career Center's Covered-Employee Payroll | $3,229,093 | $3,151,107 |
| Career Center's Proportionate Share of the Net OPEB Liability as a Percentage of it's Covered-Employee Payroll | 34.76% | 48.83% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 47.10% | 37.30% |

(1) Information prior to 2016 is not available.

Amounts presented as of the Career Center's measurement date which is the prior fiscal year end.

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***TRI-COUNTY CAREER CENTER***

*Schedule of the Career Center Contributions*
*School Employees Retirement System of Ohio*
*Last Ten Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| ***Pension*** | | | | |
| Contractually Required Contributions | $161,825 | $164,724 | $172,055 | $158,811 |
| Contributions in Relation to the Contractually Required Contributions | (161,825) | (164,724) | (172,055) | (158,811) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| Career Center Covered-Employee Payroll | $1,155,893 | $1,176,600 | $1,228,964 | $1,204,939 |
| Contributions as a Percentage of Covered-Employee Payroll | 13.50% | 14.00% | 14.00% | 13.18% |
| ***OPEB*** | | | | |
| Contractually Required Contributions (1) | $5,994 | $0 | $0 | $9,881 |
| Contributions in Relation to the Contractually Required Contributions | (5,994) | 0 | 0 | (9,881) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| Career Center Covered-Employee Payroll | $1,155,893 | $1,176,600 | $1,228,964 | $1,204,939 |
| Contributions as a Percentage of Covered-Employee Payroll | 0.50% | 0.00% | 0.00% | 0.82% |

(1) Excludes surcharge amounts.

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| $188,838 | $188,677 | $187,890 | $178,920 | $187,233 | $135,525 |
| (188,838) | (188,677) | (187,890) | (178,920) | (187,233) | (135,525) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $1,362,468 | $1,363,273 | $1,396,952 | $1,423,389 | $1,382,814 | $1,377,287 |
| 13.86% | 13.84% | 13.45% | 12.57% | 13.54% | 9.84% |
| $1,907 | $2,181 | $7,683 | $20,354 | $6,361 | $57,295 |
| (1,907) | (2,181) | (7,683) | (20,354) | (6,361) | (57,295) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $1,362,468 | $1,363,273 | $1,396,952 | $1,423,389 | $1,382,814 | $1,377,287 |
| 0.14% | 0.16% | 0.55% | 1.43% | 0.46% | 4.16% |

## *TRI-COUNTY CAREER CENTER*

*Schedule of the Career Center Contributions*
*State Teachers Retirement System of Ohio*
*Last Ten Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| ***Pension*** | | | | |
| Contractually Required Contributions | $512,556 | $452,073 | $441,155 | $446,747 |
| Contributions in Relation to the Contractually Required Contributions | (512,556) | (452,073) | (441,155) | (446,747) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| Career Center Covered-Employee Payroll | $3,661,114 | $3,229,093 | $3,151,107 | $3,191,050 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 14.00% | 14.00% | 14.00% |
| ***OPEB*** | | | | |
| Contractually Required Contributions | $0 | $0 | $0 | $0 |
| Contributions in Relation to the Contractually Required Contributions | 0 | 0 | 0 | 0 |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| Career Center Covered-Employee Payroll | $3,661,114 | $3,229,093 | $3,151,107 | $3,191,050 |
| Contributions as a Percentage of Covered-Employee Payroll | 0.00% | 0.00% | 0.00% | 0.00% |

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| $475,420 | $460,395 | $520,838 | $555,124 | $457,839 | $458,366 |
| (475,420) | (460,395) | (520,838) | (555,124) | (457,839) | (458,366) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $3,657,077 | $3,541,500 | $4,006,446 | $4,270,185 | $3,521,838 | $3,525,892 |
| 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |
| $3,657 | $3,542 | $4,006 | $4,270 | $3,522 | $3,526 |
| (3,657) | (3,542) | (4,006) | (4,270) | (3,522) | (3,526) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $3,657,077 | $3,541,500 | $4,006,446 | $4,270,185 | $3,521,838 | $3,525,892 |
| 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

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## NOTE 1 – SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

### *Pension*

**Assumption Changes Since Prior Measurement Date –** 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:

| | Fiscal Year 2017 | Fiscal Year 2016 and Prior |
|---|---|---|
| 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.

### *Other Postemployment Benefits*

**Assumption Changes Since the Prior Measurement Date –** 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 |

## NOTE 2 - STATE TEACHERS RETIREMENT SYSTEM OF OHIO

### *Pension*

**Assumption Changes Since Prior Measurement Date –** 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:

**NOTE 2 - STATE TEACHERS RETIREMENT SYSTEM OF OHIO** - Continued

| | | |
|---|---|---|
| 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 expense, including inflation | 7.75 percent net of investment expense, 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 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.

***Other Postemployment Benefits***

**Assumption Changes Since the Prior Measurement Date** – 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.

TRI-COUNTY CAREER CENTER
ATHENS COUNTY

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

| **FEDERAL GRANTOR**<br>***Pass Through Grantor***<br>**Program / Cluster Title** | **Federal CFDA Number** | **Pass Through Entity Identifying Number** | **Total Federal Expenditures** |
|---|---|---|---|
| **U.S. DEPARTMENT OF AGRICULTURE** | | | |
| ***Passed Through Ohio Department of Education*** | | | |
| Child Nutrition Cluster: | | | |
| Non-Cash Assistance (Food Distribution): | | | |
| National School Lunch Program | 10.555 | N/A | $17,746 |
| Cash Assistance: | | | |
| School Breakfast Program | 10.553 | 051607-05PU-2018 | 55,906 |
| National School Lunch Program | 10.555 | 051607-LLP4-2018 | 112,418 |
| Cash Assistance Subtotal | | | 168,324 |
| Total Child Nutrition Cluster | | | 186,070 |
| Total U.S. Department of Agriculture | | | 186,070 |
| **APPALACHIAN REGIONAL COMMISSION** | | | |
| *Passed Through Hocking College:* | | | |
| Appalachian Area Development | 23.002 | N/A | 61,435 |
| Total Appalachian Regional Commission | | | 61,435 |
| **U.S. DEPARTMENT OF EDUCATION** | | | |
| ***Direct from Federal Government*** | | | |
| Student Financial Aid Cluster: | | | |
| Federal Pell Grant Program | 84.063 | N/A | 9,902 |
| | | N/A | 166,752 |
| | | N/A | 10,831 |
| Total Student Financial Aid Cluster | | | 187,485 |
| Small, Rural School Achievement Program | 84.358A | N/A | 27,778 |
| | | N/A | 9,685 |
| Total Small, Rural School Achievement Program | | | 37,463 |
| ***Passed Through Ohio Department of Education*** | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | 051607-20C1-2017 | 39,019 |
| | | 051607-20C1-2018 | 221,441 |
| Total Career and Technical Education - Basic Grants to States | | | 260,460 |
| Improving Teacher Quality- State Grants | 84.367 | 051607-TRS1-2018 | 1,656 |
| Total U.S. Department of Education | | | 487,064 |
| **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | |
| ***Passed Through Ohio Department of Job and Family Services*** | | | |
| Temporary Assistance for Needy Families Program | 93.558 | N/A | 9,447 |
| | | N/A | 7,617 |
| Total Temporary Assistance for Needy Families Program | | | 17,064 |
| Total U.S. Department of Health and Human Services | | | 17,064 |
| **Total Expenditures of Federal Awards** | | | **$751,633** |

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

**TRI-COUNTY CAREER CENTER**
**ATHENS 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 Tri-County Career Center, Athens County (the Career Center), 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 the Career Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Career Center.

## 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

## NOTE C – INDIRECT COST RATE

The Career Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## NOTE D - CHILD NUTRITION CLUSTER

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

## NOTE E – FOOD DONATION PROGRAM

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

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

Tri-County Career Center
Athens County
15676 State Route 691
Nelsonville, Ohio 45764-9532

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Tri-County Career Center, Athens County, (the Career Center) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Career Center's basic financial statements and have issued our report thereon dated February 13, 2019, wherein we noted the Career Center adopted Governmental Accounting Standards Board (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 the Career Center's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Career Center's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 the Career Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

Keith Faber
Auditor of State
Columbus, Ohio

February 13, 2019

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

Tri-County Career Center
Athens County
15676 State Route 691
Nelsonville, Ohio 45764-9532

To the Board of Education:

***Report on Compliance for each Major Federal Program***

We have audited the Tri-County Career Center's, Athens County (the Career Center), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Career Center's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the Career Center's major federal programs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on each Major Federal Program***

In our opinion, the Tri-County Career Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2018.

***Report on Internal Control Over Compliance***

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

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

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

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

Keith Faber
Auditor of State
Columbus, Ohio

February 13, 2019

**TRI-COUNTY CAREER CENTER**
**ATHENS COUNTY**

**SCHEDULE OF FINDINGS**
**2 CFR § 200.515**
**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):** | Federal Pell Grant Program (PELL) – CFDA #84.063<br>Career and Technical Education - Basic Grants to States – CFDA #84.048 |
| ***(d)(1)(viii)*** | **Dollar Threshold: Type A\B Programs** | Type A: > $ 750,000<br>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.

## 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE
KEITH FABER

**TRI- COUNTY CAREER CENTER**

**ATHENS 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**
**MARCH 5, 2019**