



OHIO AUDITOR OF STATE
KEITH FABER



**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY
JUNE 30, 2018**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund	23
Statement of Fiduciary Net Position – Fiduciary Funds.....	24
Notes to the Basic Financial Statements.....	25
Schedules of Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio.....	67
State Teachers Retirement System (STRS) of Ohio	68
Schedule of District Pension Contributions:	
School Employees Retirement System (SERS) of Ohio.....	69
State Teachers Retirement System (STRS) of Ohio	71

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY
JUNE 30, 2018

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Schedule of the District's Proportionate Share of the Net OPEB Liability:	
School Employees Retirement System (SERS) of Ohio.....	73
State Teachers Retirement System (STRS) of Ohio	74
Schedule of District OPEB Contributions:	
School Employees Retirement System (SERS) of Ohio.....	75
State Teachers Retirement System (STRS) of Ohio	77
Notes to Required Supplementary Information	79
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	81



INDEPENDENT AUDITOR'S REPORT

Vanguard-Sentinel Career and Technology Centers
Sandusky County
1306 Cedar Street
Fremont, Ohio 43420-1197

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vanguard-Sentinel Career and Technology Centers, Sandusky County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District'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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Vanguard-Sentinel Career and Technology Centers, Sandusky County, Ohio, as of June 30, 2018, and the respective changes in financial position 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 District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2019, on our consideration of the District'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 District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

April 18, 2019

This page intentionally left blank.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position of governmental activities increased \$7,685,768 which represents an increase of 24.62% from 2017's restated net position.
- General revenues accounted for \$11,277,442 in revenue or 70.90% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,628,565 or 29.10% of total revenues of \$15,906,007.
- The District had \$8,220,239 in expenses related to governmental activities; \$4,628,565 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,277,442 were adequate to provide for these programs.
- The District's major governmental funds are the General fund, Permanent Improvement fund and Classroom Facilities fund. The General fund had \$14,603,901 in revenues and \$14,555,421 in expenditures and other financing uses. During fiscal year 2018, the General fund's fund balance increased \$48,480 from a balance of \$10,845,974 to \$10,894,454.
- The Permanent Improvement fund had \$2,016,000 in revenues and other financing sources and \$2,182,239 in expenditures. During fiscal year 2018, the Permanent Improvement fund's fund balance decreased \$166,239 from \$5,231,681 to \$5,065,442.
- During fiscal year 2018, the Classroom Facilities fund's fund balance remained a deficit of \$98,171.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the General fund, Permanent Improvement fund and Classroom Facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(Continued)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General fund, Permanent Improvement fund and Classroom Facilities fund.

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. This activity is reported in agency funds. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(Continued)**

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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

This space intentionally left blank.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(Continued)

	Net Position	
	Governmental Activities 2018	Restated Governmental Activities 2017
<u>Assets</u>		
Current and other assets	\$ 25,288,948	\$ 25,117,333
Capital assets, net	<u>38,421,230</u>	<u>38,054,109</u>
Total assets	<u>63,710,178</u>	<u>63,171,442</u>
<u>Deferred outflows of resources</u>		
Pension	4,464,196	3,734,642
OPEB	<u>152,887</u>	<u>25,715</u>
Total deferred outflows of resources	<u>4,617,083</u>	<u>3,760,357</u>
<u>Liabilities</u>		
Current liabilities	1,305,856	1,318,358
Long-term liabilities:		
Due within one year	530,789	511,620
Due in more than one year:		
Net pension liability	15,039,158	21,001,543
Net OPEB liability	3,261,966	4,167,000
Other amounts	<u>3,251,222</u>	<u>3,655,632</u>
Total liabilities	<u>23,388,991</u>	<u>30,654,153</u>
<u>Deferred inflows of resources</u>		
Property taxes levied for the next fiscal year	4,032,522	3,891,159
Pension	1,573,521	1,173,218
OPEB	<u>433,190</u>	<u>-</u>
Total deferred inflows of resources	<u>6,039,233</u>	<u>5,064,377</u>
<u>Net Position</u>		
Net investment in capital assets	35,391,221	34,690,974
Restricted	3,756,500	3,594,460
Unrestricted (deficit)	<u>(248,684)</u>	<u>(7,072,165)</u>
Total net position	<u>\$ 38,899,037</u>	<u>\$ 31,213,269</u>

The net pension liability (NPL) is the largest single liability reported by the District 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 District 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 District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(Continued)

postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District 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 District'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 District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$35,354,554 to \$31,213,269.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(Continued)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$38,899,037. Of this total, a deficit of \$248,684 is unrestricted in use.

At year-end, capital assets represented 60.31% of total assets. Capital assets include land, construction in progress, buildings and building improvements, furniture, fixtures and equipment and vehicles. Net investment in capital assets at June 30, 2018, was \$35,391,221. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$3,756,500 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$248,684.

The table below shows the change in net position for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	Change in Net Position	
	Governmental Activities <u>2018</u>	Restated Governmental Activities <u>2017</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,322,848	\$ 1,330,042
Operating grants and contributions	3,305,717	4,142,053
General revenues:		
Property taxes	4,553,190	4,487,014
Payment in lieu of taxes	6,631	25,250
Grants and entitlements	6,328,847	6,579,300
Investment earnings	206,594	141,797
Other	<u>182,180</u>	<u>136,417</u>
Total revenues	<u>15,906,007</u>	<u>16,841,873</u>
		-Continued

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(Continued)

	Change in Net Position	
	Governmental	Restated
	Activities	Governmental
	<u>2018</u>	<u>2017</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	71,597	108,333
Special	69,857	119,714
Vocational	4,893,117	9,109,649
Adult/continuing	295,790	444,687
Support services:		
Pupil	184,773	626,207
Instructional staff	320,051	793,857
Board of education	40,523	63,792
Administration	423,562	1,135,931
Fiscal	308,844	499,196
Operations and maintenance	1,135,942	1,666,831
Pupil transportation	132,094	122,985
Central	88,454	80,440
Operations of non-instructional services:		
Other non-instructional services	66,423	66,423
Food service operations	108,819	170,163
Extracurricular activities	20,604	10,117
Interest and fiscal charges	59,789	67,612
Total expenses	<u>8,220,239</u>	<u>15,085,937</u>
Change in net position	7,685,768	1,755,936
Net position at beginning of year (restated)	<u>31,213,269</u>	<u>N/A</u>
Net position at end of year	<u>\$ 38,899,037</u>	<u>\$ 31,213,269</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$25,715 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$563,083.

Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(Continued)

Total 2018 program expenses under GASB 75	\$	8,220,239
Negative OPEB expense under GASB 75		563,083
2018 contractually required contributions		35,933
Adjusted 2018 program expenses		8,819,255
Total 2017 program expenses under GASB 45		15,085,937
Decrease in program expenses not related to OPEB	\$	(6,266,682)

Governmental Activities

Net position of the District's governmental activities increased \$7,685,768. Total governmental expenses of \$8,220,239 were offset by program revenues of \$4,628,565 and general revenues of \$11,277,442. Program revenues supported 56.31% of the total governmental expenses.

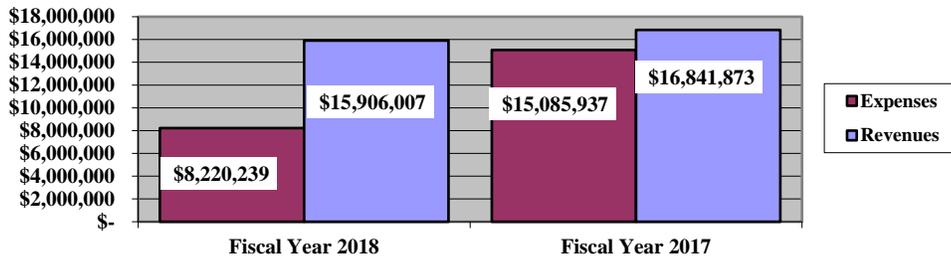
Expenses of the governmental activities decreased \$6,865,698 or 45.51%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment (COLA) and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$5,257,841) in pension expense and (\$563,083) in OPEB expense mainly due to these benefit changes.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 68.41% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,330,361 or 64.84% of total governmental expenses for fiscal year 2018.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2018 and 2017.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(Continued)

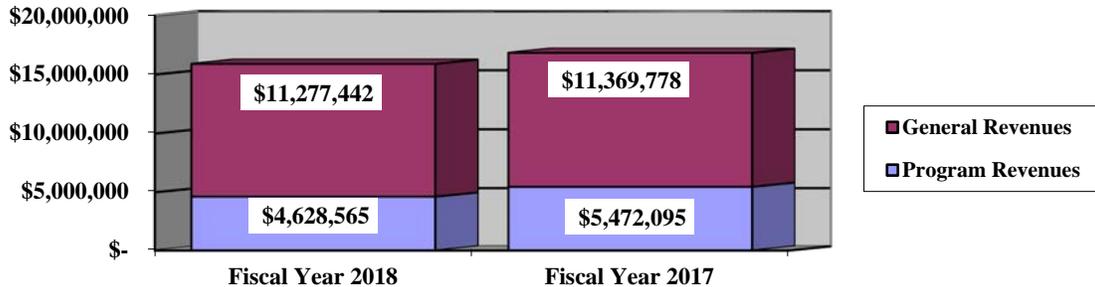
Governmental Activities

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Program expenses				
Instruction:				
Regular	\$ 71,597	\$ 71,597	\$ 108,333	\$ 108,333
Special	69,857	(164,356)	119,714	119,714
Vocational	4,893,117	1,469,987	9,109,649	4,736,572
Adult/continuing	295,790	(269,611)	444,687	(202,306)
Support services:				
Pupil	184,773	118,581	626,207	546,171
Instructional staff	320,051	253,576	793,857	694,750
Board of education	40,523	40,523	63,792	63,792
Administration	423,562	346,808	1,135,931	1,071,876
Fiscal	308,844	308,844	499,196	499,196
Operations and maintenance	1,135,942	1,074,409	1,666,831	1,612,173
Pupil transportation	132,094	132,094	122,985	122,985
Central	88,454	88,454	80,440	80,440
Operations of non-instructional services:				
Other non-instructional services	66,423	66,423	66,423	66,423
Food service operations	108,819	(26,048)	170,163	15,994
Extracurricular activities	20,604	20,604	10,117	10,117
Interest and fiscal charges	59,789	59,789	67,612	67,612
Total expenses	\$ 8,220,239	\$ 3,591,674	\$ 15,085,937	\$ 9,613,842

The dependence upon tax and other general revenues for governmental activities is apparent; 20.78% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 43.69%. The District's taxpayers and State funding are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2018 and 2017.

Governmental Activities - General and Program Revenues



**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(Continued)

The District's Funds

The District's governmental funds reported a combined fund balance of \$19,023,739, which is more than last year's total of \$18,853,263. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance (deficit) <u>June 30, 2018</u>	Fund Balance (deficit) <u>June 30, 2017</u>	<u>Change</u>	<u>Percentage Change</u>
General	\$ 10,894,454	\$ 10,845,974	\$ 48,480	0.45 %
Permanent Improvement	5,065,442	5,231,681	(166,239)	(3.18) %
Classroom Facilities	(98,171)	(98,171)	-	- %
Other Governmental	<u>3,162,014</u>	<u>2,873,779</u>	<u>288,235</u>	10.03 %
Total	<u>\$ 19,023,739</u>	<u>\$ 18,853,263</u>	<u>\$ 170,476</u>	0.90 %

General Fund

The District's General fund balance increased \$48,480 or 0.45%.

The table that follows assists in illustrating the financial activities and fund balance of the General fund.

	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>Change</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 4,544,701	\$ 4,545,206	\$ (505)	(0.01) %
Tuition	493,869	425,685	68,184	16.02 %
Earnings on investments	216,537	115,962	100,575	86.73 %
Intergovernmental	8,781,217	9,042,756	(261,539)	(2.89) %
Other revenues	<u>567,577</u>	<u>537,551</u>	<u>30,026</u>	5.59 %
Total	<u>\$ 14,603,901</u>	<u>\$ 14,667,160</u>	<u>\$ (63,259)</u>	(0.43) %
<u>Expenditures</u>				
Instruction	\$ 7,549,454	\$ 7,370,683	\$ 178,771	2.43 %
Support services	4,514,461	4,282,875	231,586	5.41 %
Extracurricular activities	20,604	10,117	10,487	103.66 %
Debt service	<u>61,581</u>	<u>81,739</u>	<u>(20,158)</u>	(24.66) %
Total	<u>\$ 12,146,100</u>	<u>\$ 11,745,414</u>	<u>\$ 400,686</u>	3.41 %

The District's revenues in fiscal year 2018 remained consistent with a decrease of \$63,259 or 0.43%. Earnings on investment increased \$100,575 or 86.73% primarily due to an increase in investments during the current fiscal year. The District's expenditures remained consistent with an increase of \$400,686 or 3.41% in the current fiscal year. All other revenues and expenditures remained comparable to the prior year.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(Continued)

Permanent Improvement Fund

The Permanent Improvement fund had \$2,016,000 in revenues and other financing sources and \$2,182,239 in expenditures. During fiscal year 2018, the Permanent Improvement fund's fund balance decreased \$166,239 from \$5,231,681 to \$5,065,442 related to facilities acquisition and construction expenditures.

Classroom Facilities Fund

During fiscal year 2018, the Classroom Facilities fund's fund balance remained a deficit of \$98,171.

General Fund Budgeting Highlights

The District's budget is prepared per Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During fiscal year 2018, the District amended its General fund budget several times. For the General fund, original budgeted revenues were \$14,297,951 and final budgeted revenues and other financing sources were \$14,672,460. Actual revenues and other financing sources for fiscal year 2018 were also \$14,672,460.

General fund original appropriations (appropriated expenditures including other financing uses) were \$15,543,909 and the final appropriations were \$16,543,909. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled \$14,711,150, which was \$1,832,759 less than the final budget appropriations, due to controls on spending.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had \$38,421,230 invested in land, construction in progress, buildings and building improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2018 balances compared to June 30, 2017:

**Capital Assets at June 30, 2018
(Net of Depreciation)**

	Governmental Activities	
	2018	2017
Land	\$ 795,737	\$ 795,737
Construction in progress	110,732	1,027,487
Building and building improvements	35,873,953	34,549,981
Furniture, fixtures and equipment	1,341,431	1,318,850
Vehicles	299,377	362,054
Total	\$ 38,421,230	\$ 38,054,109

The overall increase in capital assets of \$367,121 is due to capital outlays of \$2,027,088 exceeding depreciation expense of \$1,659,967 in the fiscal year.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(Continued)

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2018, the District had \$2,905,000 in qualified school construction bond certificates of participation outstanding. Of this total, \$390,000 is due within one year and \$2,515,000 is due in more than one year. The following table summarizes the outstanding debt at year end.

Outstanding Debt, at Fiscal Year End

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
2010 Certificates of Participation	\$ 2,905,000	\$ 3,290,000
Capital lease obligations	<u>-</u>	<u>1,394</u>
Total	<u>\$ 2,905,000</u>	<u>\$ 3,291,394</u>

At June 30, 2018, the District's overall legal debt margin was \$291,632,801, and an unvoted debt margin of \$3,240,364.

See Note 10 to the basic financial statements for additional information on the District's long-term obligations.

Current Financial Related Activities

The District remains financially stable despite the uncertainty of future State funding. The District is primarily a residential/farming community covering 13 public school districts in nine Northwest Ohio counties.

Over the past several years, the District has maintained a strong financial position with revenues exceeding expenditures for many years. The District has not been on the ballot for operating funds since 1970. The current five-year forecast indicates the District will not need to request additional operating funds despite anticipating no additional funding from the State of Ohio in the foreseeable future.

The District negotiated a new labor contract with its certified employees in 2017 and the current agreement ends June 30, 2020.

Contacting the District's Financial Management

This financial report is designed to provide our citizens taxpayers, and investors and creditors with a general overview of the District's finances and to show that the District is accountable for the money it receives. If you have questions about this report or need additional financial information contact Mr. Alan Binger, Treasurer, Vanguard-Sentinel Career and Technology Centers, 1306 Cedar Street, Fremont, Ohio 43420-1197, or email at abinger@vsctc.org.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 19,586,204
Receivables:	
Property taxes	4,764,074
Accounts	621
Accrued interest	46,147
Intergovernmental	799,790
Prepayments	74,426
Inventory held for resale	17,686
Capital assets:	
Nondepreciable capital assets	906,469
Depreciable capital assets, net	37,514,761
Capital assets, net	<u>38,421,230</u>
Total assets	<u>63,710,178</u>
 Deferred outflows of resources:	
Pension	4,464,196
OPEB	152,887
Total deferred outflows of resources	<u>4,617,083</u>
 Liabilities:	
Accounts payable	80,447
Contracts payable	125,009
Accrued wages and benefits payable	886,847
Pension and postemployment benefits	142,033
Intergovernmental payable	67,116
Accrued interest payable	4,404
Long-term liabilities:	
Due within one year	530,789
Due in more than one year:	
Net pension liability	15,039,158
Net OPEB liability	3,261,966
Other amounts due in more than one year	3,251,222
Total liabilities	<u>23,388,991</u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	4,032,522
Pension	1,573,521
OPEB	433,190
Total deferred inflows of resources	<u>6,039,233</u>
 Net position:	
Net investment in capital assets	35,391,221
Restricted for:	
Capital projects	611,807
Classroom facilities maintenance	2,507,119
Adult education	470,546
Vocational education	109,813
Food service operations	57,215
Unrestricted (deficit)	(248,684)
Total net position	<u>\$ 38,899,037</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 71,597	\$ -	\$ -	\$ (71,597)
Special	69,857	-	234,213	164,356
Vocational	4,893,117	827,102	2,596,028	(1,469,987)
Adult/continuing.	295,790	366,576	198,825	269,611
Support services:				
Pupil.	184,773	-	66,192	(118,581)
Instructional staff	320,051	-	66,475	(253,576)
Board of education	40,523	-	-	(40,523)
Administration.	423,562	-	76,754	(346,808)
Fiscal.	308,844	-	-	(308,844)
Operations and maintenance	1,135,942	61,533	-	(1,074,409)
Pupil transportation.	132,094	-	-	(132,094)
Central	88,454	-	-	(88,454)
Operation of non-instructional services:				
Other non-instructional services	66,423	-	-	(66,423)
Food service operations	108,819	67,637	67,230	26,048
Extracurricular activities.	20,604	-	-	(20,604)
Interest and fiscal charges	59,789	-	-	(59,789)
Total governmental activities	\$ 8,220,239	\$ 1,322,848	\$ 3,305,717	(3,591,674)

General revenues:	
Property taxes levied for:	
General purposes	4,553,190
Payments in lieu of taxes.	6,631
Grants and entitlements not restricted	
to specific programs	6,328,847
Investment earnings	206,594
Miscellaneous	182,180
Total general revenues	11,277,442
Change in net position	7,685,768
Net position at beginning of year (restated) .	31,213,269
Net position at end of year.	\$ 38,899,037

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 11,155,193	\$ 5,199,011	\$ -	\$ 3,232,000	\$ 19,586,204
Receivables:					
Property taxes	4,764,074	-	-	-	4,764,074
Accounts	621	-	-	-	621
Intergovernmental	34,458	-	709,978	55,354	799,790
Accrued interest	46,147	-	-	-	46,147
Prepayments	72,661	-	-	1,765	74,426
Inventory held for resale	3,842	-	-	13,844	17,686
Advances to other funds	98,171	-	-	-	98,171
Total assets	<u>\$ 16,175,167</u>	<u>\$ 5,199,011</u>	<u>\$ 709,978</u>	<u>\$ 3,302,963</u>	<u>\$ 25,387,119</u>
Liabilities:					
Accounts payable	\$ 68,477	\$ 8,560	\$ -	\$ 3,410	\$ 80,447
Contracts payable	-	125,009	-	-	125,009
Accrued wages and benefits payable	797,200	-	-	89,647	886,847
Compensated absences payable	34,392	-	-	-	34,392
Intergovernmental payable	65,902	-	-	1,214	67,116
Pension and postemployment benefits	114,274	-	-	27,759	142,033
Advance from other funds	-	-	98,171	-	98,171
Total liabilities	<u>1,080,245</u>	<u>133,569</u>	<u>98,171</u>	<u>122,030</u>	<u>1,434,015</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	4,032,522	-	-	-	4,032,522
Delinquent property tax revenue not available	129,629	-	-	-	129,629
Intergovernmental revenue not available	5,822	-	709,978	18,919	734,719
Accrued interest not available	32,495	-	-	-	32,495
Total deferred inflows of resources	<u>4,200,468</u>	<u>-</u>	<u>709,978</u>	<u>18,919</u>	<u>4,929,365</u>
Fund balances:					
Nonspendable:					
Prepays	72,661	-	-	1,765	74,426
Long-term loans	98,171	-	-	-	98,171
Restricted:					
Adult education	-	-	-	499,707	499,707
Classroom facilities maintenance	-	-	-	2,507,119	2,507,119
Food service operations	-	-	-	66,330	66,330
Vocational education	-	-	-	109,813	109,813
Committed:					
Student and staff support	500	-	-	-	500
Student instruction	6,297	-	-	-	6,297
Assigned:					
Student instruction	59,741	-	-	-	59,741
Student and staff support	143,356	-	-	-	143,356
Debt service	-	2,905,000	-	-	2,905,000
Subsequent year's appropriations	533,745	-	-	-	533,745
Capital improvements	-	2,160,442	-	-	2,160,442
Other purposes	150,508	-	-	-	150,508
Unassigned (deficit)	9,829,475	-	(98,171)	(22,720)	9,708,584
Total fund balances (deficit)	<u>10,894,454</u>	<u>5,065,442</u>	<u>(98,171)</u>	<u>3,162,014</u>	<u>19,023,739</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,175,167</u>	<u>\$ 5,199,011</u>	<u>\$ 709,978</u>	<u>\$ 3,302,963</u>	<u>\$ 25,387,119</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total governmental fund balances		\$	19,023,739
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			38,421,230
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	129,629	
Accrued interest receivable		32,495	
Intergovernmental receivable		734,719	
Total		896,843	896,843
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(4,404)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.			
Deferred outflows of resources - pension		4,464,196	
Deferred inflows of resources - pension		(1,573,521)	
Net pension liability		(15,039,158)	
Total		(12,148,483)	(12,148,483)
The net OPEB liability is not due and payable in the current period, therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.			
Deferred outflows of resources - OPEB		152,887	
Deferred inflows of resources - OPEB		(433,190)	
Net OPEB liability		(3,261,966)	
Total		(3,542,269)	(3,542,269)
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.			
2010 Certifications of participation		2,905,000	
Compensated absences		842,619	
Total		(3,747,619)	(3,747,619)
Net position of governmental activities		\$	38,899,037

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 4,544,701	\$ -	\$ -	\$ -	\$ 4,544,701
Payment in lieu of taxes	6,631	-	-	-	6,631
Tuition	493,869	-	-	354,585	848,454
Earnings on investments	216,537	-	-	427	216,964
Charges for services	-	-	-	67,637	67,637
Classroom materials and fees	65,558	-	-	11,991	77,549
Rental income	45,533	16,000	-	-	61,533
Contributions and donations	10,593	-	-	-	10,593
Contract services.	66,451	-	-	-	66,451
Other local revenues	372,811	-	-	6,351	379,162
Intergovernmental - state	8,781,217	-	-	589,948	9,371,165
Intergovernmental - federal	-	-	-	378,993	378,993
Total revenues	14,603,901	16,000	-	1,409,932	16,029,833
Expenditures:					
Current:					
Instruction:					
Regular	144,613	-	-	-	144,613
Special	186,727	-	-	-	186,727
Vocational	7,218,114	-	-	449,892	7,668,006
Adult/continuing	-	-	-	651,030	651,030
Support services:					
Pupil	461,785	-	-	65,395	527,180
Instructional staff	728,576	-	-	68,227	796,803
Board of education	55,148	-	-	-	55,148
Administration	996,860	-	-	78,222	1,075,082
Fiscal	526,654	-	-	-	526,654
Operations and maintenance	1,466,461	-	-	74,032	1,540,493
Pupil transportation	53,089	-	-	-	53,089
Central	225,888	-	-	-	225,888
Operation of non-instructional services:					
Food service operations.	-	-	-	143,989	143,989
Extracurricular activities	20,604	-	-	-	20,604
Facilities acquisition and construction.	-	1,797,239	-	-	1,797,239
Debt service:					
Principal retirement.	1,164	385,000	-	230	386,394
Interest and fiscal charges	60,417	-	-	1	60,418
Total expenditures	12,146,100	2,182,239	-	1,531,018	15,859,357
Excess (deficiency) of revenues over (under) expenditures.	2,457,801	(2,166,239)	-	(121,086)	170,476
Other financing sources (uses):					
Transfers in.	-	2,000,000	-	409,321	2,409,321
Transfers (out)	(2,409,321)	-	-	-	(2,409,321)
Total other financing sources (uses)	(2,409,321)	2,000,000	-	409,321	-
Net change in fund balances	48,480	(166,239)	-	288,235	170,476
Fund balances (deficit) at beginning of year	10,845,974	5,231,681	(98,171)	2,873,779	18,853,263
Fund balances (deficit) at end of year	\$ 10,894,454	\$ 5,065,442	\$ (98,171)	\$ 3,162,014	\$ 19,023,739

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds	\$	170,476
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital asset additions	\$ 2,027,088	
Current year depreciation	<u>(1,659,967)</u>	
Total		367,121
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	8,489	
Earnings on investments	(9,943)	
Intergovernmental	<u>(125,792)</u>	
Total		(127,246)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Certifications of participation	385,000	
Capital leases	<u>1,394</u>	
Total		386,394
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Change in accrued interest payable		629
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows resources.		
		1,033,795
Except for amounts reported as deferred inflows/outflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.		
		5,257,841
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		
		35,933
Except for amounts reported as deferred inflows/outflows of resources, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		
		563,083
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(2,258)</u>
Change in net position of governmental activities	\$	<u>7,685,768</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 4,532,802	\$ 4,634,444	\$ 4,634,444	\$ -
Earnings on investments	223,186	228,191	228,191	-
Classroom materials and fees	50,972	52,115	52,115	-
Rental income	44,534	45,533	45,533	-
Other local revenues	344,410	352,133	352,133	-
Intergovernmental - state	9,102,047	9,306,154	9,306,154	-
Total revenues	14,297,951	14,618,570	14,618,570	-
Expenditures:				
Current:				
Instruction:				
Regular	106,512	110,843	110,457	386
Special	189,246	189,327	178,490	10,837
Vocational	8,670,219	8,461,011	7,255,078	1,205,933
Support services:				
Pupil	328,041	482,464	466,278	16,186
Instructional staff	748,232	762,109	748,216	13,893
Board of education	140,597	140,021	71,272	68,749
Administration	1,034,705	1,047,604	999,204	48,400
Fiscal	552,138	563,106	533,169	29,937
Operations and maintenance	1,889,483	1,900,276	1,581,120	319,156
Pupil transportation	117,975	117,452	68,571	48,881
Central	236,539	239,886	223,754	16,132
Extracurricular activities	10,042	10,000	5,808	4,192
Debt service:				
Interest and fiscal charges	60,859	60,489	60,412	77
Total expenditures	14,084,588	14,084,588	12,301,829	1,782,759
Excess of revenues over expenditures	213,363	533,982	2,316,741	1,782,759
Other financing sources (uses):				
Refund of prior year's expenditures	-	80	80	-
Transfers (out)	(1,409,321)	(2,409,321)	(2,409,321)	-
Advances in	-	43,986	43,986	-
Advances (out)	(50,000)	(50,000)	-	50,000
Sale of capital assets	-	9,824	9,824	-
Total other financing sources (uses)	(1,459,321)	(2,405,431)	(2,355,431)	50,000
Net change in fund balance	(1,245,958)	(1,871,449)	(38,690)	1,832,759
Fund balance at beginning of year	10,275,781	10,275,781	10,275,781	-
Prior year encumbrances appropriated	503,376	503,376	503,376	-
Fund balance at end of year	\$ 9,533,199	\$ 8,907,708	\$ 10,740,467	\$ 1,832,759

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency
Assets:	
Equity in pooled cash and investments	\$ 47,224
Receivables:	
Accounts	190
Total assets.	\$ 47,414
Liabilities:	
Accounts payable.	\$ 4,203
Due to students.	43,211
Total liabilities	\$ 47,414

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 - DESCRIPTION OF THE DISTRICT

Vanguard-Sentinel Career and Technology Centers (the District) 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. The District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. The District operates under an appointed Board of Education consisting of 13 members. Each participating exempted village, local and city school district has one representative on the Board of Education. The District provides educational services as authorized by State statute and/or Federal guidelines.

The District was established in 1965 for the purpose of providing vocational education to students in Sandusky County. Clyde, Fremont, Gibsonburg, and Lakota School Districts were the initial districts. The first students attended the District in September 1968. Port Clinton City School District joined in 1971 and Old Fort in 1975. In 1985, a new building was opened in Tiffin, Ohio to provide vocational education to students in Seneca and Wyandot counties. Member districts of the Sentinel Career Center in Tiffin are: Fostoria, Hopewell-Loudon, Mohawk, New Riegel, Seneca East, Tiffin City and Upper Sandusky schools.

The District serves an area of approximately 1,600 square miles with an enrollment of 756 students. The District employed 12 administrative and supervisory personnel, 72 certified employees and 32 non-certified employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's significant accounting policies are described below

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

JOINTLY GOVERNED ORGANIZATIONS

The Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among thirty-six area school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among members. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. The NOECA assembly consists of a superintendent from each participating school and representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating schools are located. The degree of control exercised by any participating school is limited to its representation on the Board. The District paid \$23,410 to NOECA for services during fiscal year 2018. Financial information can be obtained by contacting Matthew Bauer, who serves as controller, at 219 Howard Drive, Sandusky, Ohio 44870.

INSURANCE POOLS

Better Business Bureau of Central Ohio's Workers' Compensation Group Retrospective Rating Plan

The District participates in the Better Business Bureau Group Retrospective Rating Plan Program (the GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by Sheakley Uniservice Inc. Sheakley Uniservice Inc. serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program. Refer to Note 11 for further information on the GRP.

San-Ott Schools Employee Welfare Benefit Association

The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association (the Association), whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$150,000 and aggregate claims in excess of 120 percent of expected claims.

B. Basis of Presentation and Measurement Focus

The District's basic financial statements consist 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

Agency funds do not report a measurement focus as they do not report operations.

C. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

GOVERNMENTAL FUNDS

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

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Permanent Improvement fund - The Permanent Improvement fund accounts for resources transferred from the General fund to be used for acquisition, construction, or improvement of capital facilities.

Classroom Facilities fund - The Classroom Facilities fund is used to account for financial resources and expenditures related to the school facilities construction and renovation project.

Other governmental funds of the District are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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 District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed 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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

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 fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Notes 12 and 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability, respectively

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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 District, deferred inflows of resources include property taxes and unavailable revenue. 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 of resources 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 District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgetary Process

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

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2018, investments were limited to negotiable and non-negotiable certificates of deposit, investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), commercial paper, U.S. Government money markets, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Bank (FHLB) securities and Federal Farm Credit Bank (FFCB) securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

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

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

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. 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 \$216,537, which includes \$92,445 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

G. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

H. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis. Inventory is recorded as an expenditure/expense when used.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of donated and purchased food.

I. Budget Stabilization Arrangement

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2018, the balance in the budget stabilization reserve was \$615,909. This amount is included in unassigned fund balance of the General fund and in unrestricted net position on the statement of net position.

J. Capital Assets

All of the District's capital assets are general capital assets resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position, but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are valued at acquisition cost. The District maintains a capitalization threshold of two-thousand-dollars. The District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All 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:

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Description	Useful Lives
Buildings and Building Improvements	40 years
Furniture, Fixtures and Equipment	5 - 15 years
Vehicles	5 years

K. Interfund Balances

On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as “advance to/advance from other funds”. These amounts are eliminated in the governmental activities’ column on the statement of net position.

L. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. The District records a liability for accumulated unused sick leave for all employees with at least twenty years of service or any amount of service and at least forty-five years of age.

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

For 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.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on 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, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Certificates of participation and leases are recognized as a liability on the fund financial statements when due.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

O. Fund Balance

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the General fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

P. Interfund Activity

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

Interfund activities between governmental funds are eliminated in the statement of activities.

Q. Pensions/Other Postemployment Benefits (OPEB)

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

S. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

T. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 13 to the basic financial statements and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 35,354,554
Deferred outflows - payments subsequent to measurement date	25,715
Net OPEB liability	(4,167,000)
Restated net position at July 1, 2017	\$ 31,213,269

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

B. Deficit Fund Balances

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

<u>Major fund</u>	<u>Deficit</u>
Classroom Facilities	\$ 98,171
<u>Nonmajor funds</u>	
Adult Basic Education	4,987
Vocational Education	16,883

The General fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District 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 District 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 of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies 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 market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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 District 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.

A. Cash on Hand

At year-end, the District had \$692 in undeposited cash on hand, which includes \$617 in change funds. These monies are included on the financial statements of the District as part of "equity in pooled cash and investments."

B. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was \$4,252,956, which includes \$3,592,847 in non-negotiable certificates of deposit, and the bank balance of all District deposits was \$4,339,277. Of the bank balance, \$3,086,999 was covered by the FDIC and \$1,252,278 was collateralized by the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in 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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the District's financial institutions were approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

C. Investments

As of June 30, 2018, the District had the following investments and maturity:

Measurement/ <u>Investment type</u>	Measurement <u>Amount</u>	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Amortized:</i>						
STAR Ohio	\$ 3,024,412	\$ 3,024,412	\$ -	\$ -	\$ -	\$ -
<i>Fair Value:</i>						
FNMA	3,374,369	-	1,263,803	-	489,955	1,620,611
FHLB	488,495	-	-	-	-	488,495
FFCB	487,395	-	-	-	487,395	-
Commercial paper	5,780,161	5,780,161	-	-	-	-
Negotiable CD's	2,206,555	742,272	243,540	490,510	-	730,233
U.S. Government money market	18,393	18,393	-	-	-	-
Total	\$ 15,379,780	\$ 9,565,238	\$ 1,507,343	\$ 490,510	\$ 977,350	\$ 2,839,339

The weighted average maturity of investments is 0.73 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs).

The District's investments in federal agency securities, negotiable certificates of deposit and commercial paper are valued using quoted market prices that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: The District's investments in federal agency securities were rated AA+ and Aaa by Moody's Investor Services and Standard & Poor's, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Commercial paper investments were rated AAA by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The U.S. Government money market was not rated. The negotiable certificates of deposit are fully covered by FDIC and are not rated. The District's investment policy does not address investment credit risk beyond the requirements of State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The federal agency securities and commercial paper are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board or qualified trustee.

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
STAR Ohio	\$ 3,024,412	19.66
FNMA	3,374,369	21.94
FHLB	488,495	3.18
FFCB	487,395	3.17
Commercial paper	5,780,161	37.58
Negotiable CD's	2,206,555	14.35
U.S. Government money market	<u>18,393</u>	<u>0.12</u>
Total	<u>\$ 15,379,780</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,252,956
Investments	15,379,780
Cash on hand	<u>692</u>
Total	<u>\$ 19,633,428</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 19,586,204
Agency funds	<u>47,224</u>
Total	<u>\$ 19,633,428</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2018 as reported on the fund financial statements, consist of the following individual advances due to other funds and advances due from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Classroom Facilities fund	\$ 98,171

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

received. Since the interfund balances are not expected to be repaid within one year they are considered to be long-term advances due to other funds and advances due from other funds.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2018 are reported on the statement of net position.

- B.** Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

<u>Transfers from General fund to:</u>	<u>Amount</u>
Permanent Improvement fund	\$ 2,000,000
Nonmajor governmental fund	<u>409,321</u>
Total	<u>\$ 2,409,321</u>

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, and (2) use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from nine counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$601,923 in the General fund. This amount is recorded as revenue. The amount available for advance at June 30, 2017 was \$691,668 in the General fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

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

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 3,029,897,890	93.29	\$ 3,003,406,050	92.69
Public utility personal	<u>217,783,880</u>	<u>6.71</u>	<u>236,958,410</u>	<u>7.31</u>
Total	<u>\$ 3,247,681,770</u>	<u>100.00</u>	<u>\$ 3,240,364,460</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$1.60		\$1.60	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2018 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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 receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 4,764,074
Accounts	621
Accrued interest	46,147
Intergovernmental	<u>799,790</u>
Total	<u>\$ 5,610,632</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in subsequent years.

NOTE 8 - CAPITAL ASSETS

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

	<u>Balance</u>		<u>Balance</u>
	<u>06/30/17</u>	<u>Additions</u>	<u>06/30/18</u>
		<u>Deductions</u>	
Governmental activities:			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 795,737	\$ -	\$ -
Construction in progress	<u>1,027,487</u>	<u>947,954</u>	<u>(1,864,709)</u>
Total capital assets, not being depreciated	<u>1,823,224</u>	<u>947,954</u>	<u>(1,864,709)</u>
<i>Capital assets, being depreciated:</i>			
Buildings and building improvements	46,618,868	2,459,989	-
Furniture, fixtures and equipment	5,294,591	438,659	(213,410)
Vehicles	<u>989,327</u>	<u>45,195</u>	<u>(14,918)</u>
Total capital assets, being depreciated	<u>52,902,786</u>	<u>2,943,843</u>	<u>(228,328)</u>
<i>Less: accumulated depreciation</i>			
Buildings and building improvements	(12,068,887)	(1,136,017)	-
Furniture, fixtures and equipment	(3,975,741)	(416,078)	213,410
Vehicles	<u>(627,273)</u>	<u>(107,872)</u>	<u>14,918</u>
Total accumulated depreciation	<u>(16,671,901)</u>	<u>(1,659,967)</u>	<u>228,328</u>
Governmental activities capital assets, net	<u>\$ 38,054,109</u>	<u>\$ 2,231,830</u>	<u>\$ (1,864,709)</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Vocational	\$ 1,397,284
Adult/continuing	30,925
<u>Support services:</u>	
Pupil	7,374
Administration	14,332
Fiscal	10,704
Operations and maintenance	26,597
Pupil transportation	85,110
Operation of non-instructional services	66,423
Food service operations	<u>21,218</u>
Total depreciation expense	<u>\$ 1,659,967</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into lease agreements to acquire copiers and copier equipment. Lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

Capital assets consisting of equipment have been capitalized in the amount of \$73,364. As of June 30, 2017, the equipment has been fully depreciated. Principal and interest payments of \$1,164 and \$5, respectively,

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

were paid from the General fund and \$230 and \$1, respectively, were paid from the Adult Education fund (a nonmajor governmental fund). As of June 30, 2018, there were no future obligations outstanding.

NOTE 10 - LONG-TERM OBLIGATIONS

During fiscal year 2018, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2017 have been restated as described in Note 3.A.

	Restated Balance <u>06/30/17</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/18</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
2010 Certificates of participation	\$ 3,290,000	\$ -	\$ (385,000)	\$ 2,905,000	\$ 390,000
Capital lease	1,394	-	(1,394)	-	-
Net pension liability	21,001,543	-	(5,962,385)	15,039,158	-
Net OPEB liability	4,167,000	-	(905,034)	3,261,966	-
Compensated absences	<u>875,858</u>	<u>127,400</u>	<u>(126,247)</u>	<u>877,011</u>	<u>140,789</u>
Total long-term obligations, governmental activities	<u>\$ 29,335,795</u>	<u>\$ 127,400</u>	<u>\$ (7,380,060)</u>	<u>\$ 22,083,135</u>	<u>\$ 530,789</u>

Net Pension Liability: The District's net pension liability is described in Note 12. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability: The District's net OPEB liability is described in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

Compensated Absences: Compensated absences will be paid from the General fund, Food Service, Adult Education, Adult Basic Education and Vocational Education Special Revenue funds.

2010 Certificates of Participation - On December 18, 2009, the District issued certificates of participation in the amount of \$5,783,812, to construct and renovate buildings. The debt was issued in accordance with the American Recovery and Reinvestment Act of 2009, which provides for federal tax credits for the holders of debt in lieu of interest payments. This reduces the issuers cost of borrowing. This debt was issued for a fifteen-year period, with final maturity during fiscal year 2025. The debt will be retired through the Permanent Improvement Capital Project fund.

The debt maturing on December 16, 2024 is subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal and interest amounts as follows:

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 390,000	\$ 52,845	\$ 442,845
2020	400,000	45,143	445,143
2021	405,000	37,294	442,294
2022	415,000	29,299	444,299
2023	425,000	21,109	446,109
2024 - 2025	<u>870,000</u>	<u>17,063</u>	<u>887,063</u>
Total	<u>\$ 2,905,000</u>	<u>\$ 202,753</u>	<u>\$ 3,107,753</u>

Legal Debt Margin: The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of \$291,632,801 and an unvoted debt margin of \$3,240,364.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the District contracted for the following insurance coverage:

This space intentionally left blank.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Coverage provided by Wells Fargo Insurance Services USA, Inc.

Buildings and Contents - replacement costs (\$1,000 deductible)

Commercial Auto Coverage

Liability	\$1,000,000
Uninsured/Underinsured Motorist	1,000,000
Medical Payments	5,000

General Liability

Bodily Injury and Property Damage	1,000,000
Products/Completed Operations	2,000,000
Personal and Advertising Injury	1,000,000
Each Occurrence Limit	1,000,000
Damage to Premises Rented	1,000,000
Employers Benefits	Included

Educators' Legal Liability

Each Wrongful Act	1,000,000
Annual Aggregate	4,000,000
Excess Liability Each Occurrence/Annual Aggregate	4,000,000

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

The District participated in the Sheakley/Better Business Bureau of Central Ohio's Workers' Compensation Group Retrospective Rating Program (GRP). The intent of the GRP program is to achieve the benefit of a reduced net premium for the District by virtue of its grouping and representation with other participants in the program. The program differs from a group rating plan in that the District pays its initial premiums based on the individual rating of the District and then earns refunds distributed over a three-year period based on the performance of the entire group of participants. Employer membership in the group is limited to schools and libraries.

NOTE 12 - 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 District'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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

The District's contractually required contribution to SERS was \$228,310 for fiscal year 2018. Of this amount, \$7,015 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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.

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

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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 fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District 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 District's contractually required contribution to STRS was \$805,485 for fiscal year 2018. Of this amount, \$107,203 is reported as pension and postemployment benefit payable.

Pension Liabilities, Pension Expense, 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 District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.04733550%	0.05239152%	
Proportion of the net pension liability current measurement date	<u>0.04525220%</u>	<u>0.05192729%</u>	
Change in proportionate share	<u>-0.00208330%</u>	<u>-0.00046423%</u>	
Proportionate share of the net pension liability	\$ 2,703,719	\$ 12,335,439	\$ 15,039,158
Pension expense	\$ (143,399)	\$ (5,114,442)	\$ (5,257,841)

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 116,358	\$ 476,336	\$ 592,694
Changes of assumptions	139,811	2,697,896	2,837,707
District contributions subsequent to the measurement date	<u>228,310</u>	<u>805,485</u>	<u>1,033,795</u>
Total deferred outflows of resources	<u>\$ 484,479</u>	<u>\$ 3,979,717</u>	<u>\$ 4,464,196</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 99,419	\$ 99,419
Net difference between projected and actual earnings on pension plan investments	12,834	407,085	419,919
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>107,076</u>	<u>947,107</u>	<u>1,054,183</u>
Total deferred inflows of resources	<u>\$ 119,910</u>	<u>\$ 1,453,611</u>	<u>\$ 1,573,521</u>

\$1,033,795 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ 62,354	\$ 203,689	\$ 266,043
2020	122,649	757,460	880,109
2021	14,284	572,846	587,130
2022	<u>(63,028)</u>	<u>186,626</u>	<u>123,598</u>
Total	<u>\$ 136,259</u>	<u>\$ 1,720,621</u>	<u>\$ 1,856,880</u>

Actuarial Assumptions - SERS

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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 (level percent of payroll)

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

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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	<u>10.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

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 District'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.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 3,752,059	\$ 2,703,719	\$ 1,825,520

Actuarial Assumptions - STRS Ohio

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

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 Ohio's 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:

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes 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 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$17,682,432	\$ 12,335,439	\$ 7,831,399

NOTE 13 - DEFINED BENEFIT OPEB PLANS

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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 District'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.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District 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 *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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, .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 District's surcharge obligation was \$27,477.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate, is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$35,933 for fiscal year 2018. Of this amount, \$27,737 is reported as pension and postemployment benefits 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 District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.04789162%	0.05239152%	
Proportion of the net OPEB liability current measurement date	<u>0.04605350%</u>	<u>0.05192729%</u>	
Change in proportionate share	<u>-0.00183812%</u>	<u>-0.00046423%</u>	
Proportionate share of the net OPEB liability	\$ 1,235,955	\$ 2,026,011	\$ 3,261,966
OPEB expense	\$ 58,693	\$ (621,776)	\$ (563,083)

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 116,954	\$ 116,954
District contributions subsequent to the measurement date	<u>35,933</u>	<u>-</u>	<u>35,933</u>
Total deferred outflows of resources	<u>\$ 35,933</u>	<u>\$ 116,954</u>	<u>\$ 152,887</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 3,264	\$ 86,597	\$ 89,861
Changes of assumptions	117,286	163,202	280,488
Difference between District contributions and proportionate share of contributions/change in proportionate share	<u>41,561</u>	<u>21,280</u>	<u>62,841</u>
Total deferred inflows of resources	<u>\$ 162,111</u>	<u>\$ 271,079</u>	<u>\$ 433,190</u>

\$35,933 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ (58,369)	\$ (32,904)	\$ (91,273)
2020	(58,369)	(32,904)	(91,273)
2021	(44,557)	(32,904)	(77,461)
2022	(816)	(32,904)	(33,720)
2023	-	(11,256)	(11,256)
Thereafter	<u>-</u>	<u>(11,253)</u>	<u>(11,253)</u>
Total	<u>\$ (162,111)</u>	<u>\$ (154,125)</u>	<u>\$ (316,236)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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	<u>100.00 %</u>	

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 District'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%)
District's proportionate share of the net OPEB liability	\$ 1,492,573	\$ 1,235,955	\$ 1,032,648

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 %)
District's proportionate share of the net OPEB liability	\$ 1,002,885	\$ 1,235,955	\$ 1,544,427

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.

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,

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
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	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

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

Discount Rate - The discount rate used to measure the total 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.

Sensitivity of the District'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.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 2,719,888	\$ 2,026,011	\$ 1,477,622
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,407,586	\$ 2,026,011	\$ 2,839,932

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for teachers and two hundred forty days for classified and administrative personnel. Upon retirement, payment is made for twenty-six percent (26%) for teachers and twenty-eight percent (28%) for classified and administrative personnel of the value of employee's accrued but unused sick leave days. Employees must have seven years of service in the District.

B. Health Care Benefits

The District provides medical, prescription drug, dental and life insurance benefits to all employees through the San-Ott Schools Employee Welfare Benefit Association.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the General fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the General fund (GAAP basis) but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (38,690)
Net adjustment for revenue accruals	(114,740)
Net adjustment for expenditure accruals	47,505
Net adjustment for other sources/uses	(53,890)
Funds budgeted elsewhere	(45,984)
Adjustment for encumbrances	254,279
GAAP basis	\$ 48,480

Certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. This includes the Uniform School Supplies fund, Rotary Special Services fund and Public-School Support fund.

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

C. Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE adjustments for fiscal year 2018 are a total receivable of \$5,822 for the District.

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain General fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	140,434
Current year qualifying expenditures	<u>(140,434)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

In prior fiscal years, the District issued \$5,783,812 in capital related school improvement notes. These proceeds may be used to reduce the capital improvements set-aside amount to zero for future years. The amount presented for prior year offset from note proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of note proceeds that may be used as an offset in future periods, which was \$5,783,812 at June 30, 2018.

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 191,685
Permanent Improvement	1,399,720
Nonmajor governmental	<u>85,819</u>
Total	<u>\$ 1,677,224</u>

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2018, the District had contractual commitments for the following project:

Adult Education Miscellaneous Projects and SCTC Public Safety and Carpentry Trade Building Projects:

<u>Contractor</u>	<u>Contractual Commitments</u>	<u>Amount Paid as of 6/30/2018</u>	<u>Amount Remaining on Contracts</u>
ACI Construction Co.	\$ 1,225,000	\$ 83,898	\$ 1,141,102
Vaughn Industries	200,000	189,609	10,391
Telamon Construction	188,014	-	188,014
Unified Security	90,894	-	90,894
Helms & Sons Excavating	<u>117,645</u>	<u>108,393</u>	<u>9,252</u>
Total	<u>\$ 1,821,553</u>	<u>\$ 381,900</u>	<u>\$ 1,439,653</u>

NOTE 20 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Community Reinvestment Areas

The City of Fremont, Ottawa County, Portage Township, Seneca County and the City of Fostoria provides tax abatements through Community Reinvestment Areas (CRAs).

Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

The CRA agreements entered into by the governments affect the property tax receipts collected and distributed to the District. Under these agreements, the District's property taxes were reduced by \$18,061.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Enterprise Zones

Sandusky County, Ottawa County, Erie Township, Seneca County, City of Clyde, Madison Township, City of Tiffin, City of Fremont, Wood County and Perry Township entered into property tax abatement agreements with local businesses under Enterprise Zone tax abatement agreements. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these types of agreements. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District's property taxes were reduced by \$59,212 during fiscal year 2018.

This page intentionally left blank.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.04525220%	0.04733550%	0.04760520%	0.04787200%	0.04787200%
District's proportionate share of the net pension liability	\$ 2,703,719	\$ 3,464,522	\$ 2,716,399	\$ 2,422,775	\$ 2,846,794
District's covered-employee payroll	\$ 1,491,871	\$ 1,464,529	\$ 1,433,164	\$ 1,391,061	\$ 1,473,743
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.23%	236.56%	189.54%	174.17%	193.17%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.05192729%	0.05239152%	0.05567977%	0.05806685%	0.05806685%
District's proportionate share of the net pension liability	\$ 12,335,439	\$ 17,537,021	\$ 15,388,260	\$ 14,123,867	\$ 16,824,259
District's covered-employee payroll	\$ 5,695,571	\$ 5,518,400	\$ 5,818,050	\$ 5,932,831	\$ 6,406,908
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	216.58%	317.79%	264.49%	238.06%	262.60%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 228,310	\$ 208,862	\$ 205,034	\$ 188,891
Contributions in relation to the contractually required contribution	<u>(228,310)</u>	<u>(208,862)</u>	<u>(205,034)</u>	<u>(188,891)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,691,185	\$ 1,491,871	\$ 1,464,529	\$ 1,433,164
Contributions as a percentage of covered-employee payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 192,801	\$ 203,966	\$ 199,746	\$ 181,056	\$ 185,912	\$ 133,613
<u>(192,801)</u>	<u>(203,966)</u>	<u>(199,746)</u>	<u>(181,056)</u>	<u>(185,912)</u>	<u>(133,613)</u>
<u>\$ -</u>					
\$ 1,391,061	\$ 1,473,743	\$ 1,485,100	\$ 1,440,382	\$ 1,373,058	\$ 1,357,856
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 805,485	\$ 797,380	\$ 772,576	\$ 814,527
Contributions in relation to the contractually required contribution	<u>(805,485)</u>	<u>(797,380)</u>	<u>(772,576)</u>	<u>(814,527)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,753,464	\$ 5,695,571	\$ 5,518,400	\$ 5,818,050
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 771,268	\$ 832,898	\$ 862,954	\$ 883,552	\$ 906,072	\$ 907,950
<u>(771,268)</u>	<u>(832,898)</u>	<u>(862,954)</u>	<u>(883,552)</u>	<u>(906,072)</u>	<u>(907,950)</u>
<u>\$ -</u>					
\$ 5,932,831	\$ 6,406,908	\$ 6,638,108	\$ 6,796,554	\$ 6,969,785	\$ 6,984,231
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.04605350%	0.04789162%
District's proportionate share of the net OPEB liability	\$ 1,235,955	\$ 1,365,088
District's covered-employee payroll	\$ 1,491,871	\$ 1,464,529
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	82.85%	93.21%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.05192729%	0.05239152%
District's proportionate share of the net OPEB liability	\$ 2,026,011	\$ 2,801,912
District's covered-employee payroll	\$ 5,695,571	\$ 5,518,400
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	35.57%	50.77%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 35,933	\$ 25,715	\$ 23,900	\$ 33,981
Contributions in relation to the contractually required contribution	<u>(35,933)</u>	<u>(25,715)</u>	<u>(23,900)</u>	<u>(33,981)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,691,185	\$ 1,491,871	\$ 1,464,529	\$ 1,433,164
Contributions as a percentage of covered-employee payroll	2.12%	1.72%	1.63%	2.37%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 23,663	\$ 24,188	\$ 29,774	\$ 42,203	\$ 27,051	\$ 76,976
<u>(23,663)</u>	<u>(24,188)</u>	<u>(29,774)</u>	<u>(42,203)</u>	<u>(27,051)</u>	<u>(76,976)</u>
<u>\$ -</u>					
\$ 1,391,061	\$ 1,473,743	\$ 1,485,100	\$ 1,440,382	\$ 1,373,058	\$ 1,357,856
1.70%	1.64%	2.00%	2.93%	1.97%	5.67%

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,753,464	\$ 5,695,571	\$ 5,518,400	\$ 5,818,050
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 59,720	\$ 64,069	\$ 66,381	\$ 67,965	\$ 69,698	\$ 69,842
<u>(59,720)</u>	<u>(64,069)</u>	<u>(66,381)</u>	<u>(67,965)</u>	<u>(69,698)</u>	<u>(69,842)</u>
<u>\$ -</u>					
\$ 5,932,831	\$ 6,406,908	\$ 6,638,108	\$ 6,796,554	\$ 6,969,785	\$ 6,984,231
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

This page intentionally left blank.

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, 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) 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, (d) 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, (e) 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 and (f) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation and (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016.

(Continued)

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability: (a) Municipal Bond Index Rate was increased from 2.92% to 3.56% and (b) Single Equivalent Interest Rate, net of plan investment expense, including price inflation was increased from 2.98% to 3.63%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% 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.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) 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 and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.



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

Vanguard-Sentinel Career and Technology Centers
Sandusky County
1306 Cedar Street
Fremont, Ohio 43420-1197

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vanguard-Sentinel Career and Technology Centers, Sandusky County, Ohio (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 18, 2019, wherein we noted the District 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 District'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 District'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 District'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 District'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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

April 18, 2019

OHIO AUDITOR OF STATE KEITH FABER



VANGUARD SENTINEL CAREER AND TECHNOLOGY CENTERS

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2019**