

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2016*

TIM COFFMAN, TREASURER



Dave Yost • Auditor of State

Board of Directors
EHOVE Career Center
316 West Mason Road
Milan, Ohio 44846

We have reviewed the *Independent Auditor's Report* of the EHOVE Career Center, Erie County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The EHOVE Career Center is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 1, 2017

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**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

EHOVE Career Center
Erie County
316 West Mason Road
Milan, Ohio 44846-9771

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the EHOVE Career Center, Erie County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the EHOVE Career Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the EHOVE Career Center, Erie County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Adult Education funds thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, on our consideration of the EHOVE Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the EHOVE Career Center's internal control over financial reporting and compliance.



Julian & Grube, Inc.
November 28, 2016

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The management's discussion and analysis of the EHOVE Career Center (the "Career Center") financial performance provides an overall review of the Career Center's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Career Center's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Career Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- The Career Center's net position of governmental activities increased \$2,212,689 which represents a 13.40% increase from 2015.
- General revenues accounted for \$12,367,944 in revenue or 59.71% of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$8,346,689 in revenue or 40.29% of total revenues of \$20,714,633.
- The Career Center had \$18,501,944 in expenses related to governmental activities; \$8,346,689 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,367,944 were adequate to provide for these programs.
- The Career Center has two major governmental funds; the general fund and the adult education fund. The general fund had \$15,142,692 in revenues and \$14,407,017 in expenditures and other financing uses. During fiscal year 2016, the general fund's fund balance increased \$734,225 from \$5,821,258 to \$6,555,483.
- The adult education fund had \$3,120,798 in revenues and other financing sources and \$2,867,449 in expenditures. During fiscal year 2016, the adult education fund's fund balance increased \$233,106 from a deficit balance of \$12,839 to a balance of \$220,267.

Using the 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 Career Center 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 the statement of activities provide information about the activities of the whole Career Center, presenting both an aggregate view of the Career Center's finances and a longer-term view of those finances. 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 Career Center's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Career Center, the general fund and the adult education fund are by far the most significant funds, and are the only governmental funds reported as major funds.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Reporting the Career Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Career Center to provide programs and activities, the view of the Career Center as a whole looks at all financial transactions and asks the question, "How did the Career Center do financially during fiscal year 2016?" 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 Career Center's net position and changes in net position. The change in net position is important because it tells the reader that, for the Career Center as a whole, the financial position of the Career Center 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 Career Center'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 Career Center's programs and services, including instruction, support services, and food service operations.

Reporting the Career Center's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the Career Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and 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 that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the Career Center'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 Career Center's Fiduciary Responsibilities

The Career Center acts in a trustee capacity as an agent for individuals and/or other governments or organizations. These activities are reported in agency funds. All of the Career Center's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. These activities are excluded from the Career Center's other financial statements because the assets cannot be utilized by the Career Center to finance its operations.

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.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Required Supplementary Information

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

The Career Center as a Whole

The statement of net position provides the perspective of the Career Center as a whole. The table below provides a summary of the Career Center's net position for June 30, 2016 and June 30, 2015.

	Net Position	
	Governmental Activities 2016	Governmental Activities 2015
<u>Assets</u>		
Current and other assets	\$ 15,832,539	\$ 14,035,958
Capital assets, net	<u>10,221,615</u>	<u>10,136,802</u>
Total assets	<u>26,054,154</u>	<u>24,172,760</u>
<u>Deferred Outflows of Resources</u>		
Pensions	<u>2,225,526</u>	<u>1,514,498</u>
<u>Liabilities</u>		
Current liabilities	1,250,008	1,443,624
Long-term liabilities:		
Due within one year	533,465	599,347
Due in more than one year:		
Net pension liability	23,327,017	20,908,628
Other amounts	<u>8,969,156</u>	<u>9,407,590</u>
Total liabilities	<u>34,079,646</u>	<u>32,359,189</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next fiscal year	6,646,659	6,070,085
Pensions	<u>1,847,560</u>	<u>3,764,858</u>
Total deferred inflows of resources	<u>8,494,219</u>	<u>9,834,943</u>
<u>Net Position</u>		
Net investment in capital assets	2,561,687	1,957,468
Restricted	740,020	314,892
Unrestricted (deficit)	<u>(17,595,892)</u>	<u>(18,779,234)</u>
Total net position (deficit)	<u>\$ (14,294,185)</u>	<u>\$ (16,506,874)</u>

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The Career Center adopted has GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 68," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Career Center's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the Career Center's proportionate share of each plan's collective:

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the Career Center's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$14,294,185.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

At fiscal year-end, capital assets represented 39.23% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The Career Center's net investment in capital assets at June 30, 2016 was \$2,561,687. These capital assets are used to provide services to the students and are not available for future spending.

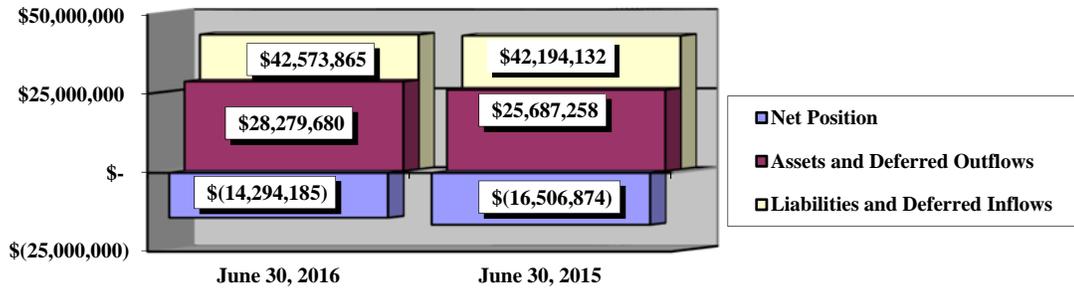
Although the Career Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. The Career Center had no bonded debt outstanding at June 30, 2016; however, the Career Center did have school improvement notes as well as certificates of participation outstanding at June 30, 2016 that were used to acquire capital assets.

A portion of the Career Center's net position, \$740,020, represents resources that are subject to external restrictions on how they may be used. The remaining amount of the Career Center's net position was a deficit balance of \$17,595,892.

The Career Centers current and other assets increased primarily due to increases in cash and cash equivalents due to operations and taxes receivable. The Career Centers liabilities increased primarily due to an increase in the net pension liability during fiscal year 2016. The net pension liability is described in Note 12 to the basic financial statements.

The graph below illustrates the Career Center's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2016 and June 30, 2015.

Governmental Activities



**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The table below shows the change in net position for fiscal years 2016 and 2015.

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 3,367,218	\$ 2,876,735
Operating grants and contributions	4,979,471	4,432,089
General revenues:		
Taxes	8,272,310	8,266,876
Grants and entitlements	4,011,132	4,250,058
Investment earnings	28,272	16,212
Miscellaneous	<u>56,230</u>	<u>56,186</u>
Total revenues	<u>20,714,633</u>	<u>19,898,156</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	1,036,645	877,300
Special	670,775	637,197
Vocational	5,045,642	5,550,315
Adult/continuing	3,951,850	3,340,955
Support services:		
Pupil	785,098	901,600
Instructional staff	840,033	726,053
Board of education	64,385	49,315
Administration	2,238,502	2,034,462
Fiscal	592,829	697,254
Business	44,038	59,998
Operations and maintenance	1,905,575	1,884,641
Pupil transportation	23,840	25,900
Central	328,163	399,951
Operation of non-instructional services:		
Food service operations	437,185	437,715
Other non-instructional services	214,883	187,762
Interest and fiscal charges	<u>322,501</u>	<u>338,959</u>
Total expenses	<u>18,501,944</u>	<u>18,149,377</u>
Change in net position	2,212,689	1,748,779
Net position at beginning of year	<u>(16,506,874)</u>	<u>(18,255,653)</u>
Net position at end of year	<u>\$ (14,294,185)</u>	<u>\$ (16,506,874)</u>

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

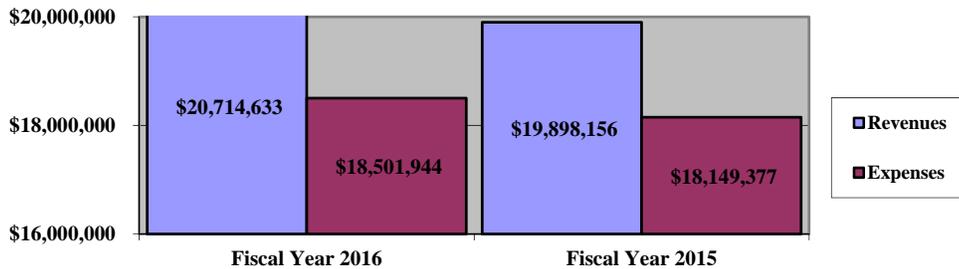
Governmental Activities

Net position of the Career Center's governmental activities has increased by \$2,212,689 or 13.40% from fiscal year 2015. Vocational expense is the predominant expense line item of the Career Center, totaling \$5,045,642 or 27.27% of total expenses. Total governmental expenses of \$18,501,944 were offset by program revenues of \$8,346,689 and general revenues of \$12,367,944. Program revenues supported 45.11% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from taxes, and unrestricted grants and entitlements. These two revenue sources represent 99.32% of total governmental revenue.

Charges for services and sales increased due to increases in tuition related to adult education. Operating grants and contributions increased due to facility funding of adult education and vocational education programs. Vocational education expenses decreased; however, this decrease was offset by an increase in adult/continuing expenses.

The graph below presents the Career Center's governmental activities revenues and expenses for fiscal years 2016 and 2015.

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 for fiscal years 2016 and 2015. It identifies the cost of these services supported by tax revenue, unrestricted grants and entitlements, and other general revenues. The net cost of services for vocational instruction has been restated to report Career Tech Foundation funding as a program revenue consistent with current year presentation.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

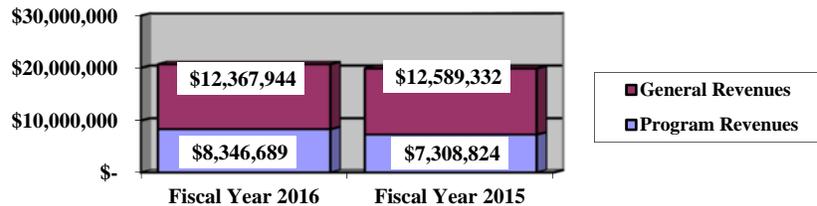
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Program expenses				
Instruction:				
Regular	\$ 1,036,645	\$ 1,036,645	\$ 877,300	\$ 877,300
Special	670,775	670,775	637,197	637,197
Vocational	5,045,642	2,516,397	5,550,315	3,335,116
Adult/continuing	3,951,850	(96,588)	3,340,955	3,016
Support services:				
Pupil	785,098	339,322	901,600	446,619
Instructional staff	840,033	838,233	726,053	724,253
Board of education	64,385	64,385	49,315	49,315
Administration	2,238,502	1,616,741	2,034,462	1,524,014
Fiscal	592,829	592,829	697,254	697,160
Business	44,038	41,336	59,998	57,976
Operations and maintenance	1,905,575	1,853,086	1,884,641	1,833,423
Pupil transportation	23,840	23,840	25,900	25,900
Central	328,163	328,163	399,951	399,951
Operation of non-instructional services:				
Food service operations	437,185	49,174	437,715	26,541
Other non-instructional services	214,883	18,530	187,762	(70,416)
Interest and fiscal charges	322,501	262,387	338,959	273,188
Total expenses	\$ 18,501,944	\$ 10,155,255	\$ 18,149,377	\$ 10,840,553

The dependence upon taxes and other general revenues for governmental activities is apparent, as 38.55% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 54.89%. The Career Center's taxpayers and unrestricted grants and entitlements, as a whole, are the primary support for the Career Center's students. The graph below presents the Career Center's governmental activities revenue for fiscal years 2016 and 2015.

Governmental Activities - General and Program Revenues



**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The Career Center's Funds

At June 30, 2016, the Career Center's governmental funds reported a combined fund balance of \$7,158,061, which is more than last year's total balance of \$5,741,594. The table below indicates the fund balance and the total change in fund balance as of June 30, 2016 and June 30, 2015.

	Fund Balance June 30, 2016	Fund Balance (Deficit) June 30, 2015	Increase/ (Decrease)
General	\$ 6,555,483	\$ 5,821,258	\$ 734,225
Adult education	220,267	(12,839)	233,106
Nonmajor governmental	<u>382,311</u>	<u>(66,825)</u>	<u>449,136</u>
Total	<u>\$ 7,158,061</u>	<u>\$ 5,741,594</u>	<u>\$ 1,416,467</u>

An analysis of the general fund revenues and expenditures is provided in the section below.

General Fund

The Career Center's general fund balance increased \$734,225 from \$5,821,258 to \$6,555,483. The tables that follow assist in illustrating the fiscal year 2016 revenues and expenditures of the general fund.

	2016 Amount	2015 Amount	Percentage Change
<u>Revenues</u>			
Property taxes	\$ 8,318,006	\$ 8,356,192	(0.46) %
Tuition	348,298	418,960	(16.87) %
Earnings on investments	28,304	10,708	164.33 %
Extracurricular	11,231	12,389	(9.35) %
Classroom materials and fees	95,282	127,523	(25.28) %
Other	147,566	183,675	(19.66) %
Intergovernmental	<u>6,194,005</u>	<u>6,094,015</u>	1.64 %
Total	<u>\$ 15,142,692</u>	<u>\$ 15,203,462</u>	(0.40) %
	2016 Amount	2015 Amount	Percentage Change
<u>Expenditures</u>			
Instruction	\$ 6,541,832	\$ 6,571,474	(0.45) %
Support services	5,814,791	5,723,964	1.59 %
Operation of non-instructional services	218,265	187,762	16.25 %
Facilities acquisition and construction	406,374	1,185,885	(65.73) %
Debt service	<u>825,755</u>	<u>830,883</u>	(0.62) %
Total	<u>\$ 13,807,017</u>	<u>\$ 14,499,968</u>	(4.78) %

Overall revenues of the general fund decreased \$60,770 or 0.40%. Decreases in tuition and classroom materials and fees were offset by an increase in intergovernmental services. Earnings on investment increased as the Career Center had more money to invest in fiscal year 2016.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Overall expenditures of the general fund decreased 4.78%. Facilities acquisition and construction expenditures decreased \$779,511 primarily due to the Career Center's new Science and Technology capital project which concluded in fiscal year 2015.

All other revenue and expenditure classifications remained comparable to the prior year.

Adult Education Fund

The adult education fund had \$3,120,798 in revenues and other financing sources and \$2,867,449 in expenditures. During fiscal year 2016, the adult education fund's fund balance increased \$233,106 from a deficit balance of \$12,839 to a balance of \$220,267. Tuition revenue increased \$586,877 while adult/continuing expenditures increased \$144,515. The Career Center continues to closely monitor the adult education revenues to ensure they are sufficient to cover the related costs of the adult education programs.

General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues and other financing sources of \$14,986,500 matched the final budget. Actual revenues and other financing sources for fiscal year 2016 were \$14,795,244. This represents a decrease of \$191,256 over the final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$14,692,729 were increased to \$14,857,729 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$14,852,135, which was \$5,594 less than the final budgeted amounts. The Career Center had actual expenditures under final appropriations primarily in the areas of vocational instruction, instructional staff support services and central support services.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the Career Center had \$10,221,615 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2016 balances compared to June 30, 2015.

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

	Governmental Activities	
	2016	2015
Land	\$ 411,420	\$ 411,420
Land improvements	120,873	35,004
Buildings and improvements	9,356,887	9,442,558
Furniture and equipment	222,258	153,029
Vehicles	110,177	94,791
Total	\$ 10,221,615	\$ 10,136,802

The overall increase in capital assets of \$84,813 is due to current year additions of \$394,753 exceeding depreciation expense of \$309,940.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Debt Administration

At June 30, 2016, the Career Center had \$721,000 in school improvement notes outstanding, \$1,080,000 in energy conservation notes outstanding, \$6,875,000 in certificates of participation outstanding, and a \$3,764 tap-in fees liability outstanding. Of this total, \$498,764 is due within one year and \$8,181,000 is due in more than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2016	Governmental Activities 2015
School improvement notes	\$ 721,000	\$ 861,000
Energy conservation notes	1,080,000	1,200,000
Certificates of participation	6,875,000	7,100,000
Tap-in fees liability	3,764	18,625
Total	\$ 8,679,764	\$ 9,179,625

See Note 9 to the basic financial statements for additional information on the Career Center's debt administration.

Current Financial Related Activities

The Career Center is reporting an overall increase in net position of \$2,212,689 using the full accrual basis of accounting. As the financial statements report, the Career Center relies heavily upon unrestricted grants, entitlements, and local property taxes (approximately 59.71% of total revenues).

The Career Center experienced a slight increase in real property tax revenue in fiscal year 2016, but the general fund still reported comparable tax revenues in comparison to the prior year. The Career Center replaced a ½ mill levy in calendar year 2013 and made it permanent. All tax levies are now permanent, which will provide some needed stability in tax revenues moving forward. The Career Center is fortunate to enjoy this support from the local taxpayers.

The Career Center recently completed a \$10 million expansion and renovation building project. To this end, the Career Center encumbered nearly \$1,000,000 of current cash carry-over to close this project in fiscal year 2015. This reduction in carry-over cash position is shown with the fiscal year 2015 financial statements.

The Career Center committed \$1.5 million for the replacement of 40-year-old equipment and for portable classrooms, which were much needed due to a lack of space at the Career Center, by entering into a note agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program). The proceeds of the note were received in fiscal year 2006 on July 7, 2005. The initial principal amount of the notes was \$1,527,000, with an interest rate of 4.225%. The Career Center began making payments in January 2006. These repayments will reduce future revenues available for the operation of the Career Center.

The Career Center committed \$400,000 for a new modular classroom and infrastructure improvements to move the adult education programs onto the Career Center's campus in fiscal year 2008. The Career Center borrowed these monies by entering into a note agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program). The initial principal amount of the notes was \$400,000, with an interest rate of 4.11% and payments starting in November 2008. While these repayments will reduce future revenues available for the operation of the Career Center, the savings to the Career Center in rental expenses will pay for these notes in less than 5 years.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The Career Center committed \$1.8 million in Project Qualified School Construction Bonds (QSCB) for House Bill 264 Energy Conservation upgrades. The Career Center sold these Energy Conservation Notes June 24, 2010. They carry a 5.375% interest rate, which is partially refunded annually by the federal government to reduce the interest costs of the notes over a 15-year period. The energy savings from the retrofit project will save the Career Center \$125,000 per year, in excess of the annual payment of \$120,000.

The Career Center issued \$7,500,000 in certificates of participation (COPs) in August 2012 for the construction of an additional 6,000 square feet of classrooms and science labs, and to retrofit existing adult education classrooms and offices. The COPs carry an approximate interest rate of 3.47% and will mature on October 15, 2037.

In conclusion, the Career Center has committed itself to excellence for many years and will continue to be both innovative, and a leader, in the education and training of students in the three county area. These financial statements represent the continued effort to keep the residents informed of the excellent use of their tax dollars for career technical training needed by Career Center students and expected by EHOVE's business partners.

Contacting the Career Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Career Center's finances and to show the Career Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Timothy R. Coffman, Treasurer, EHOVE Career Center, 316 W. Mason Road, Milan, Ohio 44846.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 6,502,672
Cash with escrow agent.	29,133
Receivables:	
Property taxes	8,485,358
Accounts.	483,801
Accrued interest	5,472
Intergovernmental	295,616
Prepayments	12,574
Materials and supplies inventory.	8,166
Inventory held for resale.	9,747
Capital assets:	
Nondepreciable capital assets	411,420
Depreciable capital assets, net.	9,810,195
Capital assets, net	10,221,615
Total assets.	26,054,154
Deferred outflows of resources:	
Pension - STRS	1,759,816
Pension - SERS	465,710
Total deferred outflows of resources	2,225,526
Liabilities:	
Accounts payable.	92,602
Retainage payable	29,133
Accrued wages and benefits payable	836,013
Intergovernmental payable	9,944
Pension and postemployment benefits payable.	214,477
Accrued interest payable	60,511
Unearned revenue	7,328
Long-term liabilities:	
Due within one year.	533,465
Due in more than one year:	
Net pension liability (See Note 12)	23,327,017
Other amounts due in more than one year	8,969,156
Total liabilities	34,079,646
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	6,646,659
Pension - STRS.	1,668,333
Pension - SERS.	179,227
Total deferred inflows of resources	8,494,219
Net position:	
Net investment in capital assets	2,561,687
Restricted for:	
State funded programs.	17,471
Federally funded programs	31,911
Adult education programs	674,980
Other purposes	15,658
Unrestricted (deficit)	(17,595,892)
Total net position (deficit)	\$ (14,294,185)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position in Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 1,036,645	\$ -	\$ -	\$ (1,036,645)
Special	670,775	-	-	(670,775)
Vocational	5,045,642	348,298	2,180,947	(2,516,397)
Adult/continuing.	3,951,850	2,039,718	2,008,720	96,588
Support services:				
Pupil.	785,098	38,010	407,766	(339,322)
Instructional staff	840,033	-	1,800	(838,233)
Board of education	64,385	-	-	(64,385)
Administration.	2,238,502	520,896	100,865	(1,616,741)
Fiscal.	592,829	-	-	(592,829)
Business.	44,038	50	2,652	(41,336)
Operations and maintenance	1,905,575	44,101	8,388	(1,853,086)
Pupil transportation.	23,840	-	-	(23,840)
Central	328,163	-	-	(328,163)
Operation of non-instructional services:				
Food service operations	437,185	189,792	198,219	(49,174)
Other non-instructional services	214,883	186,353	10,000	(18,530)
Interest and fiscal charges	322,501	-	60,114	(262,387)
Total governmental activities	<u>\$ 18,501,944</u>	<u>\$ 3,367,218</u>	<u>\$ 4,979,471</u>	<u>(10,155,255)</u>
General revenues:				
Property taxes levied for:				
General purposes				8,272,310
Grants and entitlements not restricted to specific programs				4,011,132
Investment earnings				28,272
Miscellaneous				56,230
Total general revenues				<u>12,367,944</u>
Change in net position				2,212,689
Net position (deficit) at beginning of year				<u>(16,506,874)</u>
Net position (deficit) at end of year.				<u>\$ (14,294,185)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Adult Education	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 5,689,846	\$ 301,111	\$ 511,715	\$ 6,502,672
Cash with escrow agent.	-	-	29,133	29,133
Receivables:				
Property taxes.	8,485,358	-	-	8,485,358
Accounts	24,263	459,538	-	483,801
Accrued interest	5,472	-	-	5,472
Interfund loans	111,064	-	-	111,064
Intergovernmental.	159,257	-	136,359	295,616
Prepayments.	10,829	1,745	-	12,574
Materials and supplies inventory.	7,300	-	866	8,166
Inventory held for resale.	-	6,321	3,426	9,747
Total assets	\$ 14,493,389	\$ 768,715	\$ 681,499	\$ 15,943,603
Liabilities:				
Accounts payable	\$ 24,988	\$ 54,893	\$ 12,721	\$ 92,602
Retainage payable.	-	-	29,133	29,133
Accrued wages and benefits payable	762,598	26,944	46,471	836,013
Compensated absences payable	5,239	-	-	5,239
Intergovernmental payable	8,918	391	635	9,944
Pension and postemployment benefits payable	183,016	4,179	27,282	214,477
Interfund loans payable.	-	-	111,064	111,064
Unearned revenue.	-	7,328	-	7,328
Total liabilities.	984,759	93,735	227,306	1,305,800
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	6,646,659	-	-	6,646,659
Delinquent property tax revenue not available.	285,358	-	-	285,358
Intergovernmental revenue not available.	-	-	71,882	71,882
Accrued interest not available.	5,472	-	-	5,472
Miscellaneous revenue not available.	300	4,333	-	4,633
Classroom materials and fees revenue not available	15,358	-	-	15,358
Tuition revenue not available	-	450,380	-	450,380
Total deferred inflows of resources	6,953,147	454,713	71,882	7,479,742
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	7,300	-	866	8,166
Prepays.	10,829	1,745	-	12,574
Unclaimed monies	6,476	-	-	6,476
Restricted:				
Adult education	-	218,522	4,552	223,074
Public school preschool	-	-	4,668	4,668
Vocational education.	-	-	3,900	3,900
Other purposes.	-	-	12,331	12,331
Committed:				
Capital improvements	-	-	500,000	500,000
Termination benefits.	94,761	-	-	94,761
Assigned:				
Student instruction	49,557	-	-	49,557
Student and staff support.	108,211	-	-	108,211
Facilities acquisition and construction	81,761	-	-	81,761
Subsequent year's appropriations	275,801	-	-	275,801
School supplies	7,352	-	-	7,352
Other purposes.	151,913	-	-	151,913
Unassigned (deficit)	5,761,522	-	(144,006)	5,617,516
Total fund balances (deficit)	6,555,483	220,267	382,311	7,158,061
Total liabilities, deferred inflows and fund balances	\$ 14,493,389	\$ 768,715	\$ 681,499	\$ 15,943,603

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$	7,158,061
<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.			10,221,615
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	285,358	
Accounts receivable		470,371	
Accrued interest receivable		5,472	
Intergovernmental receivable		71,882	
Total		833,083	833,083
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - Pension		2,225,526	
Deferred Inflows - Pension		(1,847,560)	
Net pension liability		(23,327,017)	
Total		(22,949,051)	(22,949,051)
Unamortized premiums on bonds issued are not recognized in the funds.			(34,795)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(60,511)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(782,823)	
Certificates of participation		(6,875,000)	
Notes payable		(1,801,000)	
Tap-in fees liability		(3,764)	
Total		(9,462,587)	(9,462,587)
Net position (deficit) of governmental activities		\$	(14,294,185)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Adult Education</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 8,318,006	\$ -	\$ -	\$ 8,318,006
Tuition	348,298	2,482,849	-	2,831,147
Earnings on investments	28,304	-	-	28,304
Charges for services	-	-	189,792	189,792
Extracurricular	11,231	-	-	11,231
Classroom materials and fees	95,282	-	-	95,282
Rental income	775	-	-	775
Contributions and donations	9,865	-	-	9,865
Contract services	80,696	59,821	16,798	157,315
Other local revenues	56,230	19,853	-	76,083
Intergovernmental - intermediate	10,000	-	2,818	12,818
Intergovernmental - state	6,123,891	508,275	945,300	7,577,466
Intergovernmental - federal	60,114	-	1,284,622	1,344,736
Total revenues	15,142,692	3,070,798	2,439,330	20,652,820
Expenditures:				
Current:				
Instruction:				
Regular	1,040,265	-	-	1,040,265
Special	667,870	-	-	667,870
Vocational	4,833,697	-	39,992	4,873,689
Adult/continuing	-	2,209,645	1,721,041	3,930,686
Support services:				
Pupil	412,006	41,517	341,673	795,196
Instructional staff	843,207	-	1,800	845,007
Board of education	63,924	-	-	63,924
Administration	1,685,640	568,963	12	2,254,615
Fiscal	594,237	-	-	594,237
Business	40,820	-	3,000	43,820
Operations and maintenance	1,828,980	47,324	-	1,876,304
Pupil transportation	24,228	-	-	24,228
Central	321,749	-	-	321,749
Operation of non-instructional services:				
Food service operations	-	-	431,790	431,790
Other non-instructional services	218,265	-	-	218,265
Facilities acquisition and construction	406,374	-	-	406,374
Debt service:				
Principal retirement	499,861	-	-	499,861
Interest and fiscal charges	325,894	-	-	325,894
Total expenditures	13,807,017	2,867,449	2,539,308	19,213,774
Excess of revenues over (under) expenditures	1,335,675	203,349	(99,978)	1,439,046
Other financing sources (uses):				
Transfers in	-	50,000	550,000	600,000
Transfers (out)	(600,000)	-	-	(600,000)
Total other financing sources (uses)	(600,000)	50,000	550,000	-
Net change in fund balances	735,675	253,349	450,022	1,439,046
Fund balances (deficit) at beginning of year	5,821,258	(12,839)	(66,825)	5,741,594
(Decrease) in reserve for inventory	(1,450)	(20,243)	(886)	(22,579)
Fund balances at end of year	\$ 6,555,483	\$ 220,267	\$ 382,311	\$ 7,158,061

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

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, 2016

Net change in fund balances - total governmental funds \$ 1,439,046

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

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

Capital asset additions	\$	394,753	
Current year depreciation		(309,940)	
Total			84,813

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. (22,579)

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

Property taxes		(45,696)	
Tuition		58,346	
Earnings on investments		(32)	
Classroom materials and fees		(856)	
Other local revenues		4,633	
Intergovernmental		45,418	
Total			61,813

Repayment of long-term obligation principal 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:

Certificates of participation		225,000	
Notes		260,000	
Tap-in fees		14,861	
Total			499,861

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 1,310,477

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,100,540)

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 additional interest being reported in the statement of activities:

Decrease in accrued interest payable		1,759	
Amortization of certificates of participation premiums		1,635	
Total			3,394

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. (63,596)

Change in net position of governmental activities \$ 2,212,689

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 7,900,000	\$ 7,900,000	\$ 8,195,099	\$ 295,099
Tuition	420,000	420,000	348,298	(71,702)
Earnings on investments	7,000	7,000	30,016	23,016
Rental income	11,000	11,000	775	(10,225)
Contributions and donations	-	-	6,500	6,500
Other local revenues	100,000	100,000	84,020	(15,980)
Intergovernmental - state	6,408,000	6,408,000	5,964,634	(443,366)
Total revenues	14,846,000	14,846,000	14,629,342	(216,658)
Expenditures:				
Current:				
Instruction:				
Regular	1,074,910	1,254,300	1,086,572	167,728
Special	660,483	693,643	667,649	25,994
Vocational	4,944,617	5,183,005	4,998,263	184,742
Support services:				
Pupil	438,102	390,138	442,855	(52,717)
Instructional staff	881,241	851,712	890,802	(39,090)
Board of education	65,918	69,700	66,633	3,067
Administration	1,706,276	1,712,360	1,724,788	(12,428)
Fiscal	594,860	645,625	601,314	44,311
Business	40,736	62,650	41,178	21,472
Operations and maintenance	1,920,361	1,986,763	1,941,196	45,567
Pupil transportation	26,419	35,039	26,706	8,333
Central	333,788	373,002	337,409	35,593
Facilities acquisition and construction	490,794	449,792	496,119	(46,327)
Debt service:				
Principal	483,624	500,000	488,868	11,132
Interest and fiscal charges	318,329	335,000	321,783	13,217
Total expenditures	13,980,458	14,542,729	14,132,135	410,594
 Excess of revenues (under) expenditures	 865,542	 303,271	 497,207	 193,936
Other financing sources (uses):				
Refund of prior year's expenditures	65,000	65,000	87,723	22,723
Transfers (out)	(712,271)	(240,000)	(720,000)	(480,000)
Advances in	70,500	70,500	72,900	2,400
Advances (out)	-	(75,000)	-	75,000
Sale of capital assets	5,000	5,000	5,279	279
Total other financing sources (uses)	(571,771)	(174,500)	(554,098)	(379,598)
 Net change in fund balance	 293,771	 128,771	 (56,891)	 (185,662)
Fund balance at beginning of year	4,846,535	4,846,535	4,846,535	-
Prior year encumbrances appropriated	414,829	414,829	414,829	-
Fund balance at end of year	\$ 5,555,135	\$ 5,390,135	\$ 5,204,473	\$ (185,662)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ADULT EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Tuition.	\$ 2,006,067	\$ 2,395,750	\$ 2,484,325	\$ 88,575
Contract services.	48,306	51,500	59,822	8,322
Other local revenues	16,031	15,000	19,853	4,853
Intergovernmental - state	410,427	575,000	508,275	(66,725)
Total revenue	<u>2,480,831</u>	<u>3,037,250</u>	<u>3,072,275</u>	<u>35,025</u>
Expenditures:				
Current:				
Instruction:				
Adult/continuing	1,960,158	2,298,416	2,262,977	35,439
Support Services:				
Pupil.	37,008	42,043	42,725	(682)
Administration.	495,332	591,008	571,854	19,154
Operations and maintenance.	41,054	30,000	47,396	(17,396)
Total expenditures	<u>2,533,552</u>	<u>2,961,467</u>	<u>2,924,952</u>	<u>36,515</u>
Excess of revenues (under) expenditures	<u>(52,721)</u>	<u>75,783</u>	<u>147,323</u>	<u>71,540</u>
Other financing sources (uses):				
Refund of prior year's expenditures	5,187	10,000	6,423	(3,577)
Transfers in	206,232	70,000	255,400	185,400
Transfers (out).	(177,915)	(170,000)	(205,400)	(35,400)
Total other financing sources (uses)	<u>33,504</u>	<u>(90,000)</u>	<u>56,423</u>	<u>146,423</u>
Net change in fund balance	(19,217)	(14,217)	203,746	217,963
Fund balance at beginning of year	59	59	59	-
Prior year encumbrances appropriated	19,160	19,160	19,160	-
Fund balance at end of year	<u>\$ 2</u>	<u>\$ 5,002</u>	<u>\$ 222,965</u>	<u>\$ 217,963</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2016

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents . .	\$ 71,328
	<u>71,328</u>
Liabilities:	
Accounts payable.	\$ 1,685
Due to students.	69,643
	<u>71,328</u>
Total liabilities	\$ 71,328
	<u>71,328</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - DESCRIPTION OF THE CAREER CENTER

The EHOVE Career Center (“Career Center”) 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 Career Center is a joint vocational school Career Center as defined by 3311.16 of the Ohio Revised Code. The Career Center operates under an appointed Board of Education (nine members) and is responsible for the provision of public education to residents of the Career Center.

Average daily membership (ADM) as of October 1, 2015, was 829. The Career Center employed 11 administrative and supervisory personnel, 57 certified employees, and 61 non-certified employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Career Center 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 Career Center’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 Career Center. For the Career Center, this includes general operations, food service and student related activities of the Career Center.

Component units are legally separate organizations for which the Career Center is financially accountable. The Career Center is financially accountable for an organization if the Career Center appoints a voting majority of the organization’s Governing Board and (1) the Career Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Career Center is legally entitled to or can otherwise access the organization’s resources; or (3) the Career Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Career Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Career Center in that the Career Center approves the budget, the issuance of debt or the levying of taxes. 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 Career Center has no component units. The basic financial statements of the reporting entity include only those of the Career Center (the primary government).

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The following organizations are described due to their relationship to the Career Center:

JOINTLY GOVERNED ORGANIZATIONS

The Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among area schools. 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 a 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 the Superintendent from each participating school and a 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 NOECA 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 of Directors. The Career Center paid \$7,750 to NOECA for services during fiscal year 2016. Financial information can be obtained by contacting Matthew Bauer, who serves as Controller, at 1210 East Bogart Road, Sandusky, Ohio 44870.

Bay Area Council of Governments

The Bay Area Council of Governments (the "Council") consists of numerous school Career Centers representing seven counties (Crawford, Erie, Huron, Ottawa, Sandusky, Seneca, and Wood). This jointly governed organization was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the Council are natural gas and insurance. The only cost to the Career Center is an administrative charge if it purchases something through the Council. The Council consists of the Superintendent of each school. The Board of Directors consists of one elected representative from each county, the Superintendent of the fiscal agent, and two non-voting members (Administrator and Fiscal Officer).

Members of the Board of Directors serve two-year terms, which are staggered. The Career Center paid \$29,490 to the Council for services provided during fiscal year 2016. Financial information can be obtained by contacting Matthew Bauer, who serves as Fiscal Officer, at 1210 East Bogart Road, Sandusky, Ohio 44870.

PUBLIC ENTITY RISK POOLS

Health Benefits

The Huron-Erie School Employees Insurance Association (the "Association") is a shared risk pool, with participants from Erie and Huron Counties. The Association is governed by an Assembly, which consists of one representative from each participant (usually the Superintendent or designee). The Assembly elects officers for two-year terms to serve as the Board of Directors. The Assembly exercises control over the operation of the Association. All of the Association revenues are generated from charges for services. Financial information can be obtained by writing to the Fiscal Officer, at 1210 East Bogart Road, Sandusky, Ohio 44870.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Workers' Compensation

The Career Center participates in a retrospective group rating plan (the "Plan") for workers' compensation as established under Section 4123.29 of the Ohio Revised Code.

Each year, the participating school Career Centers pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Fund Accounting

The Career Center 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 Career Center activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The Career Center 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the Career Center's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Adult education fund - The adult education special revenue fund is used to account for transactions made in connection with adult education classes. Revenues include, but are not limited to, tuition from patrons and students and reimbursements from the State Department of Education. Expenditures include supplies, salaries and textbooks.

Nonmajor governmental funds of the Career Center are used to account for (a) financial resources that are restricted or committed to an expenditure for specified purposes and (b) financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets.

PROPRIETARY FUNDS

Proprietary funds are used to account for activities that are similar to those often found in the private sector, where the determination of operating income, changes in net position, overall financial position and cash flows is necessary or useful to sound financial administration. The Career Center has no proprietary funds.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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. The Career Center's only fiduciary funds are agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Career Center's agency funds account for student activities and Career Center agency responsibilities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the Career Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The 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 Career Center. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include 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 Career Center.

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

Fund Financial Statements - Fund financial statements report detailed information about the Career Center. 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 and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include 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.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the Career Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Career Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Career Center on a reimbursement basis. On the 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.

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 Career Center, see Note 12 for deferred outflows of resources related the Career Center's net pension liability.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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 Career Center, 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, 2016, but which were levied to finance fiscal year 2017 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 Career Center 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 Career Center, see Note 12 for deferred inflows of resources related to the Career Center's net pension liability. 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 fiscal year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with an equal 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. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education (the "Board").

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Erie County Budget Commission (the "Commission") for rate determination.

Estimated Resources:

By April 1, the Board accepts, by formal resolution, the tax rates as determined by the Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. On or prior to June 30, the Career Center must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the Career Center Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final amended certificates of estimated resources issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate of estimated resources saying no new certificate of estimated resources is necessary, the annual appropriation resolution is enacted by the Board. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the Career Center. The appropriation resolution, by fund, must be within the certificate of estimated resources as certified by the Commission and the total of expenditures may not exceed the appropriation totals at the fund level. Any revisions that alter the fund level must be approved by the Board.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

F. Cash and Investments

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

Cash held by the Career Center in anticipation of future retainage payments to contractors is presented as "cash with escrow agent" on the basic financial statements.

During 2016, the Career Center has invested funds in negotiable certificates of deposits (negotiable CD's), a U.S. government money market mutual fund, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices

STAR 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2016.

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 2016 amounted to \$28,304, which includes \$2,413 assigned from other Career Center 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 Career Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Career Center's investment account at fiscal year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market, and donated commodities are presented at their entitlement value. Inventories are presented at cost on a first-in, first-out basis and are expended/expensed 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 expendable supplies held for consumption, donated food and purchased food.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

H. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The Career Center’s capitalization threshold is \$10,000. The Career Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets except land 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 - 30 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental activities column on the statement of net position. Interfund loans receivable/payable are summarized in Note 5.A.

J. Compensated Absences

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2016, 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 total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and net pension liabilities that will be paid from governmental funds are reported as a liability on the fund financial statements only to the extent that they are due for payment during the current year. Notes payable, certificates of participation outstanding, and tap-in fees payable are recognized as a liability on the fund financial statements when due.

L. Certificates of Participation Premiums

On the government-wide financial statements, certificates of participation premiums are deferred and amortized over the term of the certificates of participation using the straight-line method, which approximates the effective interest method. Certificates of participation premiums are presented as an addition to the face amount of the certificates of participation. On the governmental fund financial statements, certificates of participation premiums are recognized in the period in which they are incurred.

The reconciliation between the certificates of participation face value and the amount reported on the statement of net position is presented in Note 9.

M. Fund Balance

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

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.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Career Center for specific purposes but do not meet the criteria to be classified as restricted 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 Career Center 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 Career Center 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.

N. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus 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 or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of 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 enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The Career Center had no net position restricted through enabling legislation.

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both the 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.

On the fund financial statements, prepaid items are equally offset by nonspendable fund balance in the governmental funds, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

P. Estimates

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

Q. 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. See Note 5.B. for details.

R. Pensions

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

T. Fair Market Value

The Career Center 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2016, the Career Center has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Career Center.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Career Center.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Career Center.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Career Center.

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ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Other grant funds	\$ 122,497
Food service	20,643
Total	<u>\$ 143,140</u>

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance in the other grants fund resulted from a negative cash balance at year end of \$143,140 and adjustments for accrued liabilities. The deficit fund balance in the food service fund resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Career Center into three categories.

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

Inactive deposits are public deposits that the Board 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;

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
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 Career Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the 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 Career Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the Career Center had \$300 in undeposited cash on hand, which is included on the financial statements of the Career Center as part of "equity in pooled cash and cash equivalents".

B. Cash with Escrow Agent

At fiscal year end, the Career Center had \$29,133 in cash held in anticipation of future retainage payments to contractors, which is included on the financial statements of the Career Center as "cash with escrow agent". This amount is included in the amount of deposits with financial institutions below.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all Career Center deposits was \$275,762. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$213,022 of the Career Center’s bank balance of \$547,645 was exposed to custodial risk as discussed below, while \$334,623 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Career Center’s deposits may not be returned. Deposits were collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Career Center. The Career Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Career Center to a successful claim by the FDIC.

D. Investments

As of June 30, 2016, the Career Center had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 Months or Less</u>	<u>13 to 18 Months</u>
Negotiable CDs	\$ 994,619	\$ 498,083	\$ 496,536
U.S Government money market mutual fund	247	247	-
STAR Ohio	<u>5,332,205</u>	<u>5,332,205</u>	<u>-</u>
Total	<u>\$ 6,327,071</u>	<u>\$ 5,830,535</u>	<u>\$ 496,536</u>

The Career Center’s investments in negotiable certificates of deposit are valued using quoted market prices (Level 1 inputs). The weighted average maturity of investments is 0.13 years.

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 Career Center’s investment policy limits investment portfolio maturities to approximately two years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity. The Career Center’s investment policy permits investments in any security specifically authorized by Ohio Revised Code Sections 135.14, 135.142 and 135.45 as amended.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Standard & Poor's has assigned STAR Ohio and the U.S government money market mutual fund an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The negotiable certificates of deposit were fully covered by the FDIC. The Career Center's investment policy does not address investment credit risk beyond the requirements of State statutes.

Concentration of Credit Risk: The Career Center places no dollar limit on the amount that may be invested in any one issuer. However, the Career Center's investment policy requires an effort to diversify its holdings of investments by avoiding concentrations of specific issuers. The following table includes the percentage of each investment type held by the Career Center at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Negotiable CDs	\$ 994,619	15.72
U.S. Government money market mutual fund	247	-
STAR Ohio	<u>5,332,205</u>	<u>84.28</u>
Total	<u>\$ 6,327,071</u>	<u>100.00</u>

E. 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, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 275,762
Investments	6,327,071
Cash on hand	<u>300</u>
Total	<u>\$ 6,603,133</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,531,805
Agency funds	<u>71,328</u>
Total	<u>\$ 6,603,133</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2016 as reported on the fund financial statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Non-major governmental funds	\$ 111,064

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2016 are reported on the statement of net position.

- B.** Interfund transfers for the year ended June 30, 2016, consisted of the following as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Adult education	\$ 50,000
Non-major governmental	<u>550,000</u>
Total	<u>\$ 600,000</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.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the Career Center fiscal year runs from July through June. First half tax collections are received by the Career Center 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 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - PROPERTY TAXES - (Continued)

The Career Center receives property taxes from Erie, Huron, Ottawa, Sandusky, Seneca, Ashland, Richland and Lorain Counties. The County Auditors periodically advance to the Career Center their portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$1,553,341 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$1,398,250 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.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 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.

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 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 2,894,572,400	95.72	\$ 3,054,544,130	95.55
Public utility personal	<u>129,509,430</u>	<u>4.28</u>	<u>142,281,610</u>	<u>4.45</u>
Total	<u>\$ 3,024,081,830</u>	<u>100.00</u>	<u>\$ 3,196,825,740</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 3.95		\$ 3.95	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables, with the possible exception of accounts receivable related to the Career Center's adult education services, 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.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 8,485,358
Accounts	483,801
Accrued interest	5,472
Intergovernmental	<u>295,616</u>
Total	<u>\$ 9,270,247</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 411,420	\$ -	\$ -	\$ 411,420
Total capital assets, not being depreciated	<u>411,420</u>	<u>-</u>	<u>-</u>	<u>411,420</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	36,328	92,297	-	128,625
Buildings and improvements	13,905,553	100,000	-	14,005,553
Furniture and equipment	1,651,467	157,613	(63,829)	1,745,251
Vehicles	<u>440,336</u>	<u>44,843</u>	<u>(18,302)</u>	<u>466,877</u>
Total capital assets, being depreciated	<u>16,033,684</u>	<u>394,753</u>	<u>(82,131)</u>	<u>16,346,306</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,324)	(6,428)	-	(7,752)
Buildings and improvements	(4,462,995)	(185,671)	-	(4,648,666)
Furniture and equipment	(1,498,438)	(88,384)	63,829	(1,522,993)
Vehicles	<u>(345,545)</u>	<u>(29,457)</u>	<u>18,302</u>	<u>(356,700)</u>
Total accumulated depreciation	<u>(6,308,302)</u>	<u>(309,940)</u>	<u>82,131</u>	<u>(6,536,111)</u>
Governmental activities capital assets, net	<u>\$ 10,136,802</u>	<u>\$ 84,813</u>	<u>\$ -</u>	<u>\$ 10,221,615</u>

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 4,571
Special	3,023
Vocational	227,528
Adult/continuing	13,263
<u>Support services:</u>	
Pupil	1,042
Instructional staff	2,970
Board of education	916
Administration	8,022
Fiscal	789
Business	1,105
Operations and maintenance	37,368
Central	7,521
Food service operations	<u>1,822</u>
Total depreciation expense	<u>\$ 309,940</u>

NOTE 9 - LONG-TERM OBLIGATIONS

The Career Center's long-term obligations activity during the fiscal year consists of the following:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
School improvement notes	\$ 861,000	\$ -	\$ (140,000)	\$ 721,000	\$ 145,000
Energy conservation notes	1,200,000	-	(120,000)	1,080,000	120,000
Certificates of participation	7,100,000	-	(225,000)	6,875,000	230,000
Tap-in fees liability	18,625	-	(14,861)	3,764	3,764
Net pension liability:					
STRS	16,357,423	1,850,540	-	18,207,963	-
SERS	<u>4,551,205</u>	<u>567,849</u>	-	<u>5,119,054</u>	-
Total net pension liability	<u>20,908,628</u>	<u>2,418,389</u>	-	<u>23,327,017</u>	-
Compensated absences	<u>790,882</u>	<u>30,615</u>	<u>(33,435)</u>	<u>788,062</u>	<u>34,701</u>
Total governmental activities	30,879,135	<u>\$ 2,449,004</u>	<u>\$ (533,296)</u>	32,794,843	<u>\$ 533,465</u>
Add: unamortized premium	<u>36,430</u>			<u>34,795</u>	
Total on statement of net position	<u>\$ 30,915,565</u>			<u>\$ 32,829,638</u>	

**EHOVE CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

School Improvement Notes: On June 30, 2005, the Career Center entered into a note agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program) for the purpose of improving, renovating, furnishing and equipping school buildings. The proceeds of the note were received on July 7, 2005. The initial principal amount of the notes was \$1,527,000, with an interest rate of 4.225% and a maturity date of July 1, 2020.

On June 12, 2008, the Career Center entered into a note agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program) for the purpose of improving, renovating, furnishing and equipping school buildings. The proceeds of the note were received on June 12, 2008. The initial principal amount of the notes was \$400,000, with an interest rate of 4.11% and a maturity date of December 1, 2022.

Principal and interest payments in fiscal year 2016 totaled \$140,000 and \$38,550, respectively. These amounts are reported as debt service expenditures in the general fund.

The following is a summary of the future debt service requirements to maturity for the notes:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 145,000	\$ 32,148	\$ 177,148
2018	152,000	25,498	177,498
2019	158,000	18,549	176,549
2020	165,000	11,330	176,330
2021	32,000	3,791	35,791
2022 - 2023	69,000	3,099	72,099
Total	<u>\$ 721,000</u>	<u>\$ 94,415</u>	<u>\$ 815,415</u>

Energy Conservation Notes: On June 10, 2010, the Career Center entered into a note agreement with the Ohio School Facilities Commission (through the Qualified School Construction Bonds Program) for the purpose of purchasing and installing energy conservation measures. The proceeds of the note were received on June 24, 2010. The initial principal amount of the notes was \$1,800,000, with an interest rate of 5.375% and a maturity date of July 1, 2025. Principal and interest payments in fiscal year 2016 totaled \$120,000 and \$64,500, respectively. These amounts are reported as debt service expenditures in the general fund.

The following is a summary of the future debt service requirements to maturity for the notes:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 120,000	\$ 58,050	\$ 178,050
2018	120,000	51,600	171,600
2019	120,000	45,150	165,150
2020	120,000	38,700	158,700
2021	120,000	32,250	152,250
2022 - 2026	480,000	64,500	544,500
Total	<u>\$ 1,080,000</u>	<u>\$ 290,250</u>	<u>\$ 1,370,250</u>

The energy conservation project was for building maintenance and repairs, which have not been capitalized by the Career Center.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Certificates of Participation: In August 2012, the Career Center issued \$7,500,000 in certificates of participation (“COPs”) to finance the acquisition, construction and overall improvement of Career Center facilities. As part of the official agreement, the Career Center’s land and buildings are being ground leased to the Agricultural Incubator Foundation (the “Foundation”), who will then sublease the land and buildings back to the Career Center for a series of rental payments. These rental payments will pay for the debt service requirements on the COPs. The COPs bear interest rates ranging from 2.00% to 3.75%. Principal on the COPs is due each October 15, beginning October 15, 2013, through and including October 15, 2037. The Foundation has assigned all of its rights in the transaction to The Huntington National Bank (the “Trustee”), which is serving as the trustee for the COPs. Principal and interest payments in fiscal year 2016 totaled \$225,000 and \$221,703, respectively. These amounts are reported as debt service expenditures in the general fund.

The obligation of the Career Center under the lease and any subsequent lease renewal is subject to the annual appropriation of the rental payments. Legal title to the facilities remains with the Trustee until all payments required under the lease have been made. In the event that sufficient monies are not appropriated or certified, the lease will terminate at the end of the current lease term and the Career Center will have no further obligation to make rental payments. The Trustee, as assignee under the lease assignment, will have certain remedies under the ground lease and the lease, including the right to take possession of the project for the remainder of the term of the ground lease (through October 15, 2037).

The COPs are not a general obligation of the Career Center and are payable only from appropriations by the Career Center for annual lease payments.

The following is a summary of the future debt service requirements to maturity for the COPs:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 230,000	\$ 217,152	\$ 447,152
2018	230,000	212,553	442,553
2019	235,000	206,727	441,727
2020	245,000	199,528	444,528
2021	250,000	192,102	442,102
2022 - 2026	1,370,000	841,263	2,211,263
2027 - 2031	1,600,000	616,962	2,216,962
2032 - 2036	1,870,000	330,135	2,200,135
2037 - 2038	845,000	31,969	876,969
Total	<u>\$ 6,875,000</u>	<u>\$ 2,848,391</u>	<u>\$ 9,723,391</u>

Tap-in Fees Liability: On August 25, 2011, the Career Center entered into an agreement with the Board of County Commissioners of Erie County (the “County”) to connect the Career Center to certain sanitary sewer improvements of the County. The charges associated with the privilege of “tapping in” to those improvements will be passed on to the Career Center in a total principal amount of \$71,719 at a monthly interest rate of 0.1708%. The obligation is currently scheduled to mature in fiscal year 2017.

Tap-in fees liability payments have been reclassified and are reflected as debt service expenditures in the general fund. These expenditures are reported as function expenditures on the budgetary statement. Principal and interest payments in fiscal year 2016 totaled \$14,861 and \$243, respectively. These amounts are reported as debt service expenditures in the general fund.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the tap-in fees liability:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,764	\$ 12	3,776
Total	<u>\$ 3,764</u>	<u>\$ 12</u>	<u>\$ 3,776</u>

Compensated Absences: Compensated absences will be paid from the funds from which the employees' salaries are paid, which consists primarily of the general fund and adult education fund.

Net Pension Liability: The Career Center pays obligations related to employee compensation from the fund benefitting from their service.

Legal Debt Margin: The Ohio Revised Code provides that voted net general obligation debt of the Career Center shall never exceed 9% of the total assessed valuation of the Career Center. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the Career Center. 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 Career Center. The assessed valuation used in determining the Career Center'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 Career Center'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, 2016, are a voted debt margin of \$287,714,317 and an unvoted debt margin of \$3,196,826.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Sick Leave

Each full time professional staff member is entitled to 15 days sick leave with pay for each year under contract and accrues sick leave at the rate of 1¼ days for each calendar month under contract. Sick leave is cumulative to 330 days for certified employees and 272 days for non-certified employees.

B. Service Retirement Benefits

1. Certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is 25% of the certified employee's accrued, but unused sick leave days at the time of retirement based on their daily rate times the value of the employee's eligible (82.50 days maximum) accrued, but unused sick leave days. Employees must have at least ten years of total retirement service and at least five years of service with the Career Center to become eligible to be entitled to the maximum of 82.50 days.
2. Certified employees who retire during the current contract will be paid \$225 for every year of service with the EHOVE Board of Education.

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NOTE 10 - OTHER EMPLOYEE BENEFITS - (Continued)

3. Non-certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is 25% of the non-certified employee's accrued, but unused sick leave days at the time of retirement based on their daily rate times the value of the employee's eligible (68 days maximum) accrued, but unused sick leave days. Non-certified employees must have ten or more years of public service at the time of retirement.
4. Non-certified employees who retire during the current contract will be paid \$225 for every year of service with the EHOVE Board of Education.
5. Administration employees, certified, and non-certified non-union staff are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is that as set forth in the EHOVE Education Association contract for administrators and as set forth in the Ohio Association of Public School Employees (OAPSE) contract for non-certified employees.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The Career Center is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Career Center maintains comprehensive insurance coverage with private carriers for general liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Losses have not exceeded insurance coverage for the last three years and there has been no significant reduction in insurance coverage from last year.

The Career Center is a member of the Huron-Erie School Employees Insurance Association (the "Association"), a public entity risk pool currently operating as a common risk management and health insurance program for 13 member schools. The Career Center pays a monthly premium to this pool for health, prescription drug and dental. The pool agreement provides that the Association will be self-sustaining through member premiums, and the pool purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$250,000 for any employee in a year or to cover aggregate claims in excess of 120% of the prior year's total claims. Individual coverage per person cannot exceed \$1,000,000 in claims during his or her lifetime.

In the event of a withdrawal, the Career Center shall assume and be responsible for payment of all claims of its eligible employees, families and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

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NOTE 11 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation Rating Plan

The Career Center participates in a workers' compensation retrospective group rating plan (the "Plan"), an insurance purchasing pool (See Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the Career Center by virtue of its grouping and representation with other participants in the Plan. Participants in the Plan are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its Plan tier rather than its individual rate. Participation in the Plan is limited to schools that can meet the Plan's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the Plan.

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Career Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The Career Center’s contractually required contribution to SERS was \$383,116 for fiscal year 2016. Of this amount, \$9,664 is reported as pension and postemployment benefits payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The Career Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The Career Center’s contractually required contribution to STRS was \$927,361 for fiscal year 2016. Of this amount, \$164,408 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Career Center's proportion of the net pension liability was based on the Career Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 5,119,054	\$ 18,207,963	\$ 23,327,017
Proportion of the net pension liability	0.08971200%	0.06588238%	
Pension expense	\$ 320,510	\$ 780,030	\$ 1,100,540

At June 30, 2016, the Career Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 82,594	\$ 832,455	\$ 915,049
Career Center contributions subsequent to the measurement date	<u>383,116</u>	<u>927,361</u>	<u>1,310,477</u>
Total deferred outflows of resources	<u>\$ 465,710</u>	<u>\$ 1,759,816</u>	<u>\$ 2,225,526</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 170,942	\$ 1,355,639	\$ 1,526,581
Changes in proportionate share and difference between Career Center contributions and proportionate share of contributions	<u>8,285</u>	<u>312,694</u>	<u>320,979</u>
Total deferred inflows of resources	<u>\$ 179,227</u>	<u>\$ 1,668,333</u>	<u>\$ 1,847,560</u>

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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$1,310,477 reported as deferred outflows of resources related to pension resulting from Career Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2017	\$ (64,759)	\$ (388,264)	\$ (453,023)
2018	(64,759)	(388,264)	(453,023)
2019	(64,760)	(388,265)	(453,025)
2020	97,645	328,915	426,560
Total	\$ (96,633)	\$ (835,878)	\$ (932,511)

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 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 (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Career Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Career Center's proportionate share of the net pension liability	\$ 7,098,288	\$ 5,119,054	\$ 3,452,375

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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Career Center's proportionate share of the net pension liability	\$ 25,292,234	\$ 18,207,963	\$ 12,217,155

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The Career Center contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. 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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. 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 2016, the Career Center's surcharge obligation was \$40,405.

The Career Center's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$40,405, \$55,240, and \$39,595, respectively. The fiscal year 2016 amount will be paid in fiscal year 2017 and has been reported as pension and postemployment benefits payable at June 30, 2016. The full amount has been contributed for fiscal years 2015 and 2014.

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NOTE 13 - POSTEMPLOYMENT BENEFITS

B. State Teachers Retirement System

Plan Description – The Career Center participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. 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 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. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The Career Center's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$67,560, respectively. No contributions were required for fiscal years 2016 and 2015. The full amount has been contributed for fiscal year 2014.

NOTE 14 - 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, disbursements and encumbrances.

The statements of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and the adult education fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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 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);
- (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).

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General</u>	<u>Adult Education</u>
Budget basis	\$ (56,891)	\$ 203,746
Net adjustment for revenue accruals	312,776	(1,477)
Net adjustment for expenditure accruals	213,238	(20,643)
Net adjustment for other sources/uses	(165,902)	(6,423)
Funds budgeted elsewhere	97,070	-
Adjustment for encumbrances	<u>335,384</u>	<u>78,146</u>
GAAP basis	<u>\$ 735,675</u>	<u>\$ 253,349</u>

Certain funds that are legally budgeted in separate Career Center fund classifications are considered part of the general fund on a GAAP basis. This includes the special trust fund, uniform school supplies fund, special rotary fund, and termination benefits fund.

NOTE 15 - CONTINGENCIES

A. Grants

The Career Center 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 Career Center. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Career Center.

B. Litigation

The Career Center is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

Career Center Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. 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 Career Center, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the Career Center; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the Career Center.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16 - SET-ASIDES

The Career Center 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 and other applicable offsets 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, 2015	
Current year set-aside requirement	137,702
Current year qualifying expenditures	(523,549)
Current year offsets	<u>(500,000)</u>
Total	<u>\$ (885,847)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u><u>\$ -</u></u>

NOTE 17 - OTHER COMMITMENTS

The Career Center 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 Career Center's commitments for encumbrances (less amounts already recorded in payables) in the governmental funds were as follows:

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General	\$ 311,279
Adult education	23,419
Nonmajor governmental funds	<u>77,439</u>
Total	<u><u>\$ 412,137</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Career Center's proportion of the net pension liability	0.08971200%	0.08992800%	0.08992800%
Career Center's proportionate share of the net pension liability	\$ 5,119,054	\$ 4,551,205	\$ 5,347,730
Career Center's covered-employee payroll	\$ 2,700,797	\$ 2,613,139	\$ 2,371,611
Career Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	225.49%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.
Amounts presented as of the District's measurement date which is the prior fiscal year.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Career Center's proportion of the net pension liability	0.06588238%	0.06724957%	0.06724957%
Career Center's proportionate share of the net pension liability	\$ 18,207,963	\$ 16,357,423	\$ 19,484,855
Career Center's covered-employee payroll	\$ 6,873,721	\$ 6,871,054	\$ 6,783,500
Career Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.89%	238.06%	287.24%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.
Amounts presented as of the District's measurement date which is the prior fiscal year.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CAREER CENTER CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 383,116	\$ 355,965	\$ 362,181	\$ 328,231
Contributions in relation to the contractually required contribution	<u>(383,116)</u>	<u>(355,965)</u>	<u>(362,181)</u>	<u>(328,231)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Career Center's covered-employee payroll	\$ 2,736,543	\$ 2,700,797	\$ 2,613,139	\$ 2,371,611
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 312,995	\$ 283,611	\$ 387,070	\$ 200,069	\$ 198,964	\$ 207,182
<u>(312,995)</u>	<u>(283,611)</u>	<u>(387,070)</u>	<u>(200,069)</u>	<u>(198,964)</u>	<u>(207,182)</u>
<u>\$ -</u>					
\$ 2,327,100	\$ 2,256,253	\$ 2,858,715	\$ 2,033,222	\$ 2,026,110	\$ 1,939,906
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CAREER CENTER CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 927,361	\$ 962,321	\$ 893,237	\$ 881,855
Contributions in relation to the contractually required contribution	<u>(927,361)</u>	<u>(962,321)</u>	<u>(893,237)</u>	<u>(881,855)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Career Center's covered-employee payroll	\$ 6,624,007	\$ 6,873,721	\$ 6,871,054	\$ 6,783,500
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 915,618	\$ 868,376	\$ 901,437	\$ 858,650	\$ 875,412	\$ 916,819
<u>(915,618)</u>	<u>(868,376)</u>	<u>(901,437)</u>	<u>(858,650)</u>	<u>(875,412)</u>	<u>(916,819)</u>
<u>\$ -</u>					
\$ 7,043,215	\$ 6,679,815	\$ 6,934,131	\$ 6,605,000	\$ 6,733,938	\$ 7,052,454
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

**EHOVE CAREER CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
<u>Child Nutrition Cluster:</u>			
(C)(D) School Breakfast Program	10.553	2016	\$ 29,999
(C)(D) National School Lunch Program	10.555	2016	139,842
(D)(E) National School Lunch Program - Donations	10.555	2016	24,774
Total National School Lunch Program			164,616
Total U.S. Department of Agriculture and Child Nutrition Cluster			194,615
U.S. DEPARTMENT OF EDUCATION DIRECT PROGRAM			
<u>Student Financial Assistance Cluster:</u>			
(F)(G) Federal Pell Grant Program	84.063	2016	617,343
(F)(G) Federal Direct Student Loans	84.268	2016	885,720
Total Student Financial Assistance Cluster			1,503,063
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Adult Education_State Grant Program	84.002	2016	75,557
Adult Education_State Grant Program - EL/Civics	84.002	2015	615
Adult Education_State Grant Program - EL/Civics	84.002	2016	4,288
Total Adult Education_Basic Grants to States			80,460
Career and Technical Education_Basic Grants to States - Adult	84.048	2016	89,984
Career and Technical Education_Basic Grants to States	84.048	2015	29,593
Career and Technical Education_Basic Grants to States	84.048	2016	194,991
Total Career and Technincal Education_Basic Grants to States			314,568
Improving Teacher Quality State Grants	84.367	2016	1,500
Total U.S. Department of Education			1,899,591
Total Federal Financial Assistance			\$ 2,094,206

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2016.
- (B) This schedule includes the federal award activity of the EHOVE Career Center under programs of the federal government for the fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the EHOVE Career Center, it is not intended to and does not present the financial position or changes in net position of the EHOVE Career Center.
- (C) Commingled with state and local revenue from sales of breakfasts lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Student Financial Aid Cluster" in determining major programs.
- (G) Program directly funded by the U.S. Department of Education.
- (H) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The Career Center has elected not to use the 10% de minimis indirect cost rate.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

EHOVE Career Center
Erie County
316 West Mason Road
Milan, Ohio 44846-9771

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the EHOVE Career Center, Erie County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the EHOVE Career Center's basic financial statements and have issued our report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Education
EHOVE Career Center

Compliance and Other Matters

As part of reasonably assuring whether the EHOVE Career Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 28, 2016



Julian & Grube, Inc. *Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Compliance With Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

EHOVE Career Center
Erie County
316 West Mason Road
Milan, Ohio 44846-9771

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the EHOVE Career Center's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the EHOVE Career Center's major federal program for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the EHOVE Career Center's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the EHOVE Career Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2016.

Board of Education
EHOVE Career Center

Report on Internal Control Over Compliance

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

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

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

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



Julian & Grube, Inc.
November 28, 2016

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
UNIFORM GUIDANCE 2 CFR § 200.515
JUNE 30, 2016**

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

EHOVE CAREER CENTER

ERIE 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
FEBRUARY 14, 2017**