

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2016*

TAMMY WOODS, TREASURER



Dave Yost • Auditor of State

Board of Education
Tolles Career and Technical Center
7877 US Highway 42 South
Plain City, Ohio 43064

We have reviewed the *Independent Auditor's Report* of the Tolles Career and Technical Center, Madison 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 Tolles Career and Technical 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

May 18, 2017

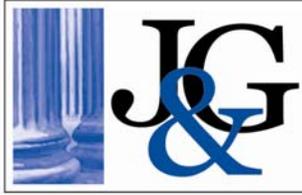
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**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) General Fund	19
Statement of Fiduciary Net Position - Fiduciary Fund	20
Notes to the Basic Financial Statements.....	21 - 54
Required Supplementary Information:	
Schedule of the Center’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio	56
State Teachers Retirement System (STRS) of Ohio	57
Schedule of Center Contributions:	
School Employees Retirement System (SERS) of Ohio	58 - 59
State Teachers Retirement System (STRS) of Ohio	60 - 61
Notes to Required Supplementary Information	62
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	63
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	64 - 65
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	66 - 67
Schedule of Findings 2 <i>CFR</i> § 200.515	68

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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

Tolles Career and Technical Center
Madison County
7877 U.S. Highway 42 South
Plain City, Ohio 43064

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 Tolles Career and Technical Center, Madison 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 Tolles Career and Technical 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 Tolles Career and Technical 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 Tolles Career and Technical 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 Tolles Career and Technical Center, Madison County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General fund 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 Information

Our audit was conducted to opine on the Tolles Career and Technical 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 this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2016, on our consideration of the Tolles Career and Technical 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 Tolles Career and Technical Center's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 28, 2016

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

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

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

Financial Highlights

Key financial highlights for 2016 are as follows:

- The Center's net position of governmental activities increased \$244,047 which represents a 3.45% increase from 2015.
- Governmental activities' general revenues accounted for \$12,921,472 in revenue or 82.69% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,705,841 in revenue or 17.31% of total revenues of \$15,627,313.
- The Center had \$15,383,266 in expenses related to governmental activities; only \$2,705,841 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,921,472 were adequate to provide for these programs.
- The Center's major governmental funds are the general fund and capital projects fund. The general fund had \$13,728,730 in revenues and other financing sources and \$13,987,798 in expenditures and other financing uses. The general fund's fund balance decreased \$259,068 from \$10,109,708 to \$9,850,640.
- The capital projects fund had \$2,254,610 in other financing sources and \$1,803,686 in expenditures. The capital projects fund's fund balance was \$450,924 at the end of fiscal year 2016.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 statement of activities* provide information about the activities of the whole Center, presenting both an aggregate view of the 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 and what remains for future spending. The fund financial statements also look at the Center's most significant funds with all other non-major funds presented in total in a single column. In the case of the Center, the general fund and the capital projects fund are the two major funds.

Reporting the Center as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities reflect how the Center did financially during fiscal year 2016. These statements include all assets and liabilities using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

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

These statements report the Center's *net position* and changes in position. This change in net position is important because it tells the reader whether the *financial position* of the Center as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the 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 Center reports on the following activity type:

Governmental Activities - Most of the Center's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the Center's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Center's major funds. While the Center uses many funds to account for its financial transactions, the fund financial statements focus on the Center's most significant funds. The Center's major governmental funds are the general fund and the capital projects fund.

Governmental Funds

The Center's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. The Center's basic services are reported in these funds and focus on how money flows into and out of those funds as well as the balances available for spending at fiscal year end. These funds are reported using the *modified accrual basis of accounting* which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the Center's operations. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Center's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Reporting the Center's Fiduciary Responsibilities

Fiduciary funds are used to account for resources held for the benefit of parties outside the Center. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the Center's programs. These funds use the accrual basis of accounting.

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

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

The Center as a Whole

The statement of net position provides the perspective of the Center as a whole. The following table provides a summary of the Center's net position for fiscal years 2016 and 2015.

	Net Position	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Assets</u>		
Current and other assets	\$ 17,971,092	\$ 19,297,147
Capital assets, net	<u>17,365,218</u>	<u>15,827,501</u>
Total assets	<u>35,336,310</u>	<u>35,124,648</u>
<u>Deferred Outflows of Resources</u>		
Pension	<u>1,742,598</u>	<u>1,096,001</u>
Total deferred outflows of resources	<u>1,742,598</u>	<u>1,096,001</u>
<u>Liabilities</u>		
Current liabilities	1,286,106	1,300,013
Long-term liabilities:		
Due within one year	970,389	849,801
Due within more than one year:		
Net pension liability	17,154,957	15,276,263
Other amounts	<u>3,517,247</u>	<u>1,806,859</u>
Total liabilities	<u>22,928,699</u>	<u>19,232,936</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for the next fiscal year	5,540,290	7,139,002
Pension	<u>1,287,409</u>	<u>2,770,248</u>
Total deferred inflows of resources	<u>6,827,699</u>	<u>9,909,250</u>
<u>Net Position</u>		
Net investment in capital assets	14,161,902	13,670,384
Restricted	527,762	629,917
Unrestricted (deficit)	<u>(7,367,154)</u>	<u>(7,221,838)</u>
Total net position	<u>\$ 7,322,510</u>	<u>\$ 7,078,463</u>

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

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

The adoption of GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," 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 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.

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

Under the new standards required by GASB 68, the net pension liability equals the 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 Center, part of a bargained-for benefit to the employee, and should accordingly be reported by the Center as a liability since they received the benefit of the exchange. However, the 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 Center. 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 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.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

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

	Change in Net Position	
	Governmental	Governmental
	Activities	Activities
	<u>2016</u>	<u>2015</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 674,662	\$ 605,800
Operating grants and contributions	2,031,179	1,631,943
General revenues:		
Property taxes	10,168,385	9,508,489
Grants and entitlements	2,568,059	3,236,964
Investment earnings	64,429	45,863
Other	<u>120,599</u>	<u>87,719</u>
 Total revenues	 <u>15,627,313</u>	 <u>15,116,778</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 1,966,597	\$ 1,560,646
Special	1,003,302	1,008,775
Vocational	5,820,429	4,632,800
Adult/Continuing	231,624	398,424
Other	120,408	180,755
Support services:		
Pupil	569,715	716,582
Instructional staff	463,311	464,987
Board of education	113,686	98,042
Administration	1,479,013	1,153,073
Fiscal	468,454	474,844
Operations and maintenance	1,649,836	1,582,631
Pupil transportation	36,969	25,718
Central	1,051,799	765,803
Other non-instructional services	264,461	247,873
Extracurricular activities	42,739	46,244
Interest and fiscal charges	<u>100,923</u>	<u>85,516</u>
 Total expenses	 <u>15,383,266</u>	 <u>13,442,713</u>
 Change in net position	 244,047	 1,674,065
Net position at beginning of year	<u>7,078,463</u>	<u>5,404,398</u>
Net position at end of year	<u>\$ 7,322,510</u>	<u>\$ 7,078,463</u>

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

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

Governmental Activities

Net position of the Center's governmental activities increased by \$244,047 for the year ended June 30, 2016. The increase was primarily due to the increase in revenues, while the Center was also able to maintain other operating costs.

Property taxes and grants and entitlements represent 81.50% percent of total Center revenues. Program revenues for governmental activities are 17.31% percent of total revenues and are primarily represented by charges for tuition and fees and restricted intergovernmental revenues.

The major program expense for governmental activities is for instruction, which is 59.43% percent of all governmental expenses.

The table below indicates the total cost of services and the net cost of services for the governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlement.

Governmental Activities

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Program expenses				
Instruction:				
Regular	\$ 1,966,597	\$ 1,966,597	\$ 1,560,646	\$ 1,560,646
Special	1,003,302	488,819	1,008,775	715,311
Vocational	5,820,429	4,255,643	4,632,800	3,398,064
Adult/Continuing	231,624	51,368	398,424	34,506
Other	120,408	114,374	180,755	130,984
Support services:				
Pupil	569,715	547,805	716,582	671,086
Instructional staff	463,311	441,132	464,987	451,236
Board of education	113,686	113,686	98,042	98,042
Administration	1,479,013	1,394,727	1,153,073	1,152,048
Fiscal	468,454	468,454	474,844	474,844
Operations and maintenance	1,649,836	1,649,836	1,582,631	1,582,631
Pupil transportation	36,969	34,856	25,718	23,896
Central	1,051,799	998,128	765,803	764,003
Other non-instructional services	264,461	8,338	247,873	15,913
Extracurricular activities	42,739	42,739	46,244	46,244
Interest and fiscal charges	<u>100,923</u>	<u>100,923</u>	<u>85,516</u>	<u>85,516</u>
Total expenses	<u>\$ 15,383,266</u>	<u>\$ 12,677,425</u>	<u>\$ 13,442,713</u>	<u>\$ 11,204,970</u>

The Career Center's Funds

The Center's governmental funds reported a combined fund balance of \$10,828,905, which is ore than last year's total balance of \$10,742,880. The table below indicates the fund balance and the total change in fund balance as of June 30, 2016 and June 30, 2015.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

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

	Fund Balance <u>June 30, 2016</u>	Fund Balance <u>June 30, 2015</u>	<u>Change</u>	Percentage <u>Change</u>
General	\$ 9,850,640	\$ 10,109,708	\$ (259,068)	(2.56) %
Capital projects	450,924	-	450,924	100.00 %
Nonmajor governmental	<u>527,341</u>	<u>633,172</u>	<u>(105,831)</u>	(16.71) %
Total	<u>\$ 10,828,905</u>	<u>\$ 10,742,880</u>	<u>\$ 86,025</u>	0.80 %

General Fund

The Center's general fund balance decreased \$259,068.

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

	2016 <u>Amount</u>	2015 <u>Amount</u>	<u>Change</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 9,998,897	\$ 9,798,026	\$ 200,871	2.05 %
Tuition	198,635	171,127	27,508	16.07 %
Earnings on investments	53,846	45,863	7,983	17.41 %
Intergovernmental	3,129,090	3,235,164	(106,074)	(3.28) %
Other revenues	<u>337,262</u>	<u>299,830</u>	<u>37,432</u>	12.48 %
Total	<u>\$ 13,717,730</u>	<u>\$ 13,550,010</u>	<u>\$ 167,720</u>	1.24 %
<u>Expenditures</u>				
Instruction	\$ 7,535,501	\$ 6,535,452	\$ 1,000,049	15.30 %
Support services	5,404,337	5,546,904	(142,567)	(2.57) %
Extracurricular activities	43,261	46,193	(2,932)	(6.35) %
Facilities acquisition and construction	142,420	-	142,420	100.00 %
Debt service	<u>31,454</u>	<u>37,392</u>	<u>(5,938)</u>	(15.88) %
Total	<u>\$ 13,156,973</u>	<u>\$ 12,165,941</u>	<u>\$ 991,032</u>	8.15 %

Overall revenues of the general fund increased \$167,720 or 1.24%. Tuition revenues increased due to an increase in enrollment during fiscal year 2016. Earnings on investments increased due to the Center maintaining more of its funds in higher yield investment accounts. All other revenue classifications remained comparable to the prior fiscal year.

Overall expenditures of the general fund increased \$991,032 or 8.15%. This increase is primarily due to the Center hiring additional instructional staff during the 2016 fiscal year. Instruction expenditures increased \$1,000,049 or 15.30% during fiscal year 2016.

Capital Projects Fund

The capital projects fund had \$2,254,610 in other financing uses and \$1,803,686 in expenditures. The fund was opened to account for expenditures associated with the construction of a gas pipe line by the Center. At June 30, 2016 the capital projects fund had a fund balance of \$450,924.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

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

General Fund Budgeting Highlights

The 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.

During the course of fiscal 2016, the Center amended its general fund budget as needed.

Original and Final budgeted resources totaled \$13,137,076 and \$15,174,647, respectively. Actual budgeted resources were \$197 lower than final budgeted resources.

Original and Final budgeted expenditures in the amount of \$16,221,042 and \$16,577,351, respectively. Actual budgeted expenditures were \$19,270 less than final budgeted expenditures. The Center generally over appropriates in case unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2016, the Center had \$17,365,218 invested in land, construction in progress, buildings, equipment, and vehicles (net of accumulated depreciation); all in governmental activities.

See Note 7 for more information about the Center's capital assets.

Debt Administration

At June 30, 2016, the Center had \$3,614,083 in governmental activity debt outstanding. The following table summarizes the Center's long-term obligations at June 30, 2016 and June 30, 2015.

Outstanding Debt, at Year End

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
General obligation bonds	\$ 1,390,000	\$ 2,045,000
Capital lease obligation	20,724	52,178
Promissory note	<u>2,203,359</u>	<u>-</u>
Total	<u>\$ 3,614,083</u>	<u>\$ 2,097,178</u>

See Note 8 to the basic financial statements for additional information on the Center's debt administration.

Current Financial Related Activities

The Center covers a diverse area that includes suburban residential areas as well as farming communities in Franklin, Madison, Union, Delaware and Fayette Counties.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

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

The Center has maintained an excellent financial position over the last 31 years. In 1972, a 1.8 mill continuing levy was passed. Because of significant growth in the Center over the years the millage had been reduced. The last reduction was from 1.1 mill to .5 mill effective January 1, 2003. Effective January 1, 2007, the Center's effective property tax millage was increased from .5 mills to 1.3 mills. In January 2012, the Madison County Budget Commission approved the reinstatement of the remaining portion of the Center's effective millage rate of .3 mills which results in an overall effective rate of 1.6 mills.

The latest five-year forecast as prepared in October 2016 shows a positive cash balance through fiscal year 2021. However, the future financial stability of the Center is not without challenges. The first challenge is for management to ensure resources can be preserved as long as possible by continuing to maintain careful financial planning and prudent fiscal management. The second challenge is based in the local economy and the state funding of education in Ohio.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, tax payers, investors, and creditors with a general overview of the Center's finances and to reflect the Center's accountability for monies it receives. Questions concerning any information in this report or requests for additional information should be directed to Tammy Woods, Treasurer, 7877 US Highway 42 South, Plain City, Ohio 43064 or by calling 614-873-4666.

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**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash, cash equivalents and investments	\$ 7,393,128
Cash with fiscal agent	450,924
Receivables:	
Property taxes	9,808,082
Accounts	1,178
Accrued interest	11,212
Intergovernmental	204,355
Prepayments	21,758
Materials and supplies inventory	80,220
Inventory held for resale	235
Capital assets:	
Nondepreciable capital assets	1,953,686
Depreciable capital assets, net	15,411,532
Capital assets, net	<u>17,365,218</u>
Total assets	<u>35,336,310</u>
 Deferred outflows of resources:	
Pension - STRS	1,488,605
Pension - SERS	253,993
Total deferred outflows of resources	<u>1,742,598</u>
 Liabilities:	
Accounts payable	78,594
Accrued wages and benefits payable	1,010,274
Intergovernmental payable	30,307
Pension obligation payable	136,052
Accrued interest payable	30,879
Long-term liabilities:	
Due within one year	970,389
Due in more than one year:	
Net pension liability	17,154,957
Other amounts due in more than one year	3,517,247
Total liabilities	<u>22,928,699</u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	5,540,290
Pension - STRS	1,136,059
Pension - SERS	151,350
Total deferred inflows of resources	<u>6,827,699</u>
 Net position:	
Net investment in capital assets	14,161,902
Restricted for:	
Capital projects	406,794
State funded programs	34,745
Federally funded programs	49,100
Other purposes	37,123
Unrestricted (deficit)	(7,367,154)
Total net position	<u>\$ 7,322,510</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLLES CAREER AND TECHNICAL CENTER
MADISON 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
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 1,966,597	\$ -	\$ -	\$ (1,966,597)
Special	1,003,302	-	514,483	(488,819)
Vocational	5,820,429	408,963	1,155,823	(4,255,643)
Adult/continuing.	231,624	38,148	142,108	(51,368)
Other	120,408	-	6,034	(114,374)
Support services:				
Pupil.	569,715	6,335	15,575	(547,805)
Instructional staff	463,311	-	22,179	(441,132)
Board of education	113,686	-	-	(113,686)
Administration.	1,479,013	27,124	57,162	(1,394,727)
Fiscal.	468,454	-	-	(468,454)
Operations and maintenance	1,649,836	-	-	(1,649,836)
Pupil transportation.	36,969	-	2,113	(34,856)
Central	1,051,799	46,220	7,451	(998,128)
Operation of non-instructional services:				
Food service operations	264,461	147,872	108,251	(8,338)
Extracurricular activities.	42,739	-	-	(42,739)
Interest and fiscal charges	100,923	-	-	(100,923)
Total governmental activities	<u>\$ 15,383,266</u>	<u>\$ 674,662</u>	<u>\$ 2,031,179</u>	<u>(12,677,425)</u>
General revenues:				
Property taxes levied for:				
General purposes				10,168,385
Grants and entitlements not restricted to specific programs				2,568,059
Investment earnings				64,429
Miscellaneous				120,599
Total general revenues				<u>12,921,472</u>
Change in net position				244,047
Net position at beginning of year				<u>7,078,463</u>
Net position at end of year.				<u>\$ 7,322,510</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash, cash equivalents, and investments	\$ 6,444,255	\$ 450,924	\$ 497,949	\$ 7,393,128
Cash with fiscal agent	-	450,924	-	450,924
Receivables:				
Property taxes	9,808,082	-	-	9,808,082
Accounts	1,178	-	-	1,178
Accrued interest	11,212	-	-	11,212
Interfund loans	450,924	-	-	450,924
Intergovernmental	4,846	-	199,509	204,355
Prepayments	21,758	-	-	21,758
Materials and supplies inventory	80,220	-	-	80,220
Inventory held for resale	-	-	235	235
Due from other funds	56,040	-	-	56,040
Total assets	<u>16,878,515</u>	<u>901,848</u>	<u>697,693</u>	<u>18,478,056</u>
Liabilities:				
Accounts payable	\$ 65,899	\$ -	\$ 12,695	\$ 78,594
Accrued wages and benefits payable	940,822	-	69,452	1,010,274
Compensated absences payable	29,314	-	-	29,314
Intergovernmental payable	25,317	-	4,990	30,307
Pension obligation payable	122,565	-	13,487	136,052
Interfund loans payable	-	450,924	-	450,924
Due to other funds	-	-	56,040	56,040
Total liabilities	<u>1,183,917</u>	<u>450,924</u>	<u>156,664</u>	<u>1,791,505</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	5,540,290	-	-	5,540,290
Delinquent property tax revenue not available	291,557	-	-	291,557
Intergovernmental revenue not available	1,528	-	13,688	15,216
Accrued interest not available	10,583	-	-	10,583
Total deferred inflows of resources	<u>5,843,958</u>	<u>-</u>	<u>13,688</u>	<u>5,857,646</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	80,220	-	-	80,220
Prepays	21,758	-	-	21,758
Restricted:				
Capital improvements	-	450,924	406,794	857,718
Adult education	-	-	50,926	50,926
Food service operations	-	-	38,846	38,846
Targeted academic assistance	-	-	149	149
Vocational education	-	-	1,460	1,460
Other purposes	-	-	35,497	35,497
Assigned:				
Student instruction	297,777	-	-	297,777
Student and staff support	133,445	-	-	133,445
Facilities acquisition and construction	4,635	-	-	4,635
Subsequent year's appropriations	401,830	-	-	401,830
Health insurance	120,272	-	-	120,272
Other purposes	281,073	-	-	281,073
Unassigned (deficit)	8,509,630	-	(6,331)	8,503,299
Total fund balances	<u>9,850,640</u>	<u>450,924</u>	<u>527,341</u>	<u>10,828,905</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 16,878,515</u>	<u>\$ 901,848</u>	<u>\$ 697,693</u>	<u>\$ 18,478,056</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

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

Total governmental fund balances		\$	10,828,905
<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.			17,365,218
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	291,557	
Accrued interest receivable		10,583	
Intergovernmental receivable		15,216	
Total		317,356	317,356
Unamortized premiums on bonds issued are not recognized in the funds.			(40,157)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(30,879)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(1,390,000)	
Capital lease obligations		(20,724)	
Compensated absences		(804,082)	
Promissory Note		(2,203,359)	
Total		(4,418,165)	(4,418,165)
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		1,742,598	
Deferred inflows - Pension		(1,287,409)	
Net pension liability		(17,154,957)	
Total		(16,699,768)	(16,699,768)
Net position of governmental activities		\$	7,322,510

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLLES CAREER AND TECHNICAL CENTER
MADISON 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>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 9,998,897	\$ -	\$ -	\$ 9,998,897
Tuition	198,635	-	111,492	310,127
Earnings on investments	53,846	-	-	53,846
Charges for services	-	-	147,872	147,872
Extracurricular	5,335	-	-	5,335
Classroom materials and fees	61,145	-	-	61,145
Contributions and donations	1,000	-	-	1,000
Contract services	136,530	-	-	136,530
Other local revenues	133,252	-	26	133,278
Intergovernmental - state	3,129,090	-	668,597	3,797,687
Intergovernmental - federal	-	-	786,309	786,309
Total revenues	<u>13,717,730</u>	<u>-</u>	<u>1,714,296</u>	<u>15,432,026</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,975,188	-	580	1,975,768
Special	695,452	-	321,921	1,017,373
Vocational	4,747,762	-	609,055	5,356,817
Adult/continuing	355	-	238,215	238,570
Other	116,744	-	6,758	123,502
Support services:				
Pupil	559,517	-	17,226	576,743
Instructional staff	360,506	-	23,573	384,079
Board of education	113,976	-	-	113,976
Administration	1,307,844	-	121,037	1,428,881
Fiscal	461,284	-	-	461,284
Operations and maintenance	1,602,154	-	-	1,602,154
Pupil transportation	34,869	-	2,100	36,969
Central	964,187	-	108,505	1,072,692
Operation of non-instructional services:				
Food service operations	-	-	249,476	249,476
Extracurricular activities	43,261	-	-	43,261
Facilities acquisition and construction	142,420	1,803,686	138,612	2,084,718
Debt service:				
Principal retirement	31,454	-	706,251	737,705
Interest and fiscal charges	-	-	96,643	96,643
Total expenditures	<u>13,156,973</u>	<u>1,803,686</u>	<u>2,639,952</u>	<u>17,600,611</u>
Excess (deficiency) of revenues over (under) expenditures	<u>560,757</u>	<u>(1,803,686)</u>	<u>(925,656)</u>	<u>(2,168,585)</u>
Other financing sources (uses):				
Sale of promissory note	-	2,254,610	-	2,254,610
Transfers in	11,000	-	910,019	921,019
Transfers (out)	(830,825)	-	(90,194)	(921,019)
Total other financing sources (uses)	<u>(819,825)</u>	<u>2,254,610</u>	<u>819,825</u>	<u>2,254,610</u>
Net change in fund balances	(259,068)	450,924	(105,831)	86,025
Fund balances at beginning of year	<u>10,109,708</u>	<u>-</u>	<u>633,172</u>	<u>10,742,880</u>
Fund balances at end of year	<u>\$ 9,850,640</u>	<u>\$ 450,924</u>	<u>\$ 527,341</u>	<u>\$ 10,828,905</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLLES CAREER AND TECHNICAL CENTER
MADISON 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	\$	86,025
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 2,731,500	
Current year depreciation	(1,120,102)	
Total		1,611,398
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(73,681)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	169,488	
Earnings on investments	10,583	
Intergovernmental	15,216	
Total		195,287
Repayment of bond, note, and capital lease 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:		
Bonds	655,000	
Promissory note	51,251	
Capital leases	31,454	
Total		737,705
Issuance of promissory notes are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(2,254,610)
In the statement of activities, interest is accrued on outstanding bonds, 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:		
Increase in accrued interest payable	(24,062)	
Amortization of bond premiums	19,782	
Total		(4,280)
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.		
		(304,539)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,038,950
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(788,208)
Change in net position of governmental activities	\$	244,047

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLLES CAREER AND TECHNICAL CENTER
MADISON 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>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Property taxes	\$ 9,704,215	\$ 9,815,525	\$ 9,815,519	\$ (6)
Tuition	174,003	198,650	198,635	(15)
Earnings on investments	45,524	51,975	51,956	(19)
Other local revenues	78,175	120,075	120,030	(45)
Intergovernmental - state	3,090,023	3,125,875	3,125,772	(103)
Total revenues	<u>13,091,940</u>	<u>13,312,100</u>	<u>13,311,912</u>	<u>(188)</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,164,328	1,987,844	1,984,675	3,169
Special	755,761	691,093	690,898	195
Vocational	5,245,721	4,787,316	4,778,097	9,219
Adult/continuing	18	375	355	20
Other	149,656	120,625	120,451	174
Support services:				
Pupil	747,515	595,281	594,928	353
Instructional staff	587,647	395,908	395,330	578
Board of education	126,283	113,005	112,912	93
Administration	1,589,102	1,371,924	1,371,305	619
Fiscal	504,871	517,472	517,184	288
Business	20,000	1,000	-	1,000
Operations and maintenance	2,107,929	1,685,742	1,683,303	2,439
Pupil transportation	32,297	46,475	46,464	11
Central	1,007,304	985,865	984,847	1,018
Extracurricular activities	40,639	29,166	29,108	58
Facilities acquisition and construction	168,271	147,075	147,054	21
Total expenditures	<u>15,247,342</u>	<u>13,476,166</u>	<u>13,456,911</u>	<u>19,255</u>
Excess of expenditures over revenues	<u>(2,155,402)</u>	<u>(164,066)</u>	<u>(144,999)</u>	<u>19,067</u>
Other financing sources (uses):				
Refund of prior year's receipts	-	(175)	(175)	-
Transfers in	-	11,000	11,000	-
Transfers (out)	(973,700)	(846,400)	(846,385)	15
Advances in	45,136	1,848,822	1,848,822	-
Advances (out)	-	(2,254,610)	(2,254,610)	-
Sale of capital assets	-	2,725	2,716	(9)
Total other financing sources (uses)	<u>(928,564)</u>	<u>(1,238,638)</u>	<u>(1,238,632)</u>	<u>6</u>
Net change in fund balance	(3,083,966)	(1,402,704)	(1,383,631)	19,073
Fund balance at beginning of year	6,685,523	6,685,523	6,685,523	-
Prior year encumbrances appropriated	260,579	260,579	260,579	-
Fund balance at end of year	<u>\$ 3,862,136</u>	<u>\$ 5,543,398</u>	<u>\$ 5,562,471</u>	<u>\$ 19,073</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2016

	<u>Agency</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 15,058
Total assets.	<u>\$ 15,058</u>
Liabilities:	
Due to others.	\$ 15,058
Total liabilities	<u>\$ 15,058</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 1 - DESCRIPTION OF THE CENTER

The Tolles Career & Technical Center (the "Center") was organized in 1972 under Section 3311.18 of the Ohio Revised Code. The Center is a fiscally independent political subdivision of the State of Ohio. The Center is governed by a seven member Board of Education. Board of Education members are appointed from the membership of the following seven Boards of Education: Dublin City School District, Fairbanks Local School District, Hilliard City School District, Jefferson Local School District, Jonathan Alder Local School District, London City School District, and Madison-Plains Local School District. The Center had been supported by a 1.6 mill continuing operating levy passed in 1972 and by funds from the State of Ohio Joint Vocational School Foundation Program. At the request of the Center's Board of Education, the Madison County Budget Commission reduced the Center's continuing operating mills to .5 mills effective January, 2003. On November 20, 2006, the Madison County Budget Commission agreed to reinstate the Center's millage to 1.3 mills effective January 1, 2007. In January 2012, the Madison County Budget Commission approved the reinstatement of the remaining portion of the Center's effective millage rate of .3 mills which results in an overall effective rate of 1.6 mills.

The Center provides job training leading to employment upon graduation from high school. The Center fosters cooperative relationships with business and industry, professional organizations, participating school districts, and other interested, concerned groups and organizations to consider, plan and implement education programs designed to meet the common needs and interests of students.

A reporting entity is composed of the stand-alone government, component units, and other organizations that are included to ensure the financial statements are not misleading. For reporting purposes, the Center consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the Center, this includes general operations, food service, continuing education and student related activities of the Center.

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

The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan, an insurance purchasing pool and with META Solutions, a jointly governed organization. These organizations are presented in Notes 13 and 14 to the basic financial statements.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Center's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

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

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

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

B. Fund Accounting

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

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

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

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions typically are financed.

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

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

Capital Projects - This fund is used to account for financial resources applicable for capital projects.

Other governmental funds of the Center are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets (b) financial resources that are restricted for debt service and (c) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUND TYPES

Fiduciary fund reporting focuses on net position and changes in net position. The Center's fiduciary fund is an agency fund. An agency fund is purely custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The Center's agency fund accounts for student activities.

C. Measurement Focus/Basis of Accounting

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reflects 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 fund statements for governmental funds.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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 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 in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On 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 Center, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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 year-end: property taxes available as an advance, tuition, grants, and fees.

Deferred Inflows/Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditures) until then. The Center has one item that qualifies for reporting in this category, deferred charges on pension cost is reported in the government-wide statement of net position. The deferred outflows related to pensions are explained in Note 10.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Center has nonexchange revenue transactions where a receivable has been recorded because property taxes were levied, but the resources cannot be used until a future period. This item has been reported as deferred inflows on the government-wide statement of net position. The deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. See Note 10 for further information.

On the modified accrual basis of accounting, the Center has recorded certain receivables where the related revenue is unavailable. Unavailable revenues have been reported as deferred inflows of resources on the governmental fund balance sheet.

Property taxes for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance year 2017 operations, have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred inflows of resources.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflows of resources.

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

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

E. Cash and Investments

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

During fiscal year 2016, investments were limited to federal agency securities, negotiable certificates of deposit, U.S. Government money market funds, and STAR Ohio, except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The Center has invested funds in STAR Ohio during fiscal year 2016. 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.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

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

Under existing Ohio statutes, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$53,846, which includes \$5,198 assigned from other 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 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 Center's investment accounts at fiscal year-end is provided in Note 4.

F. Inventories

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventories consist of donated and purchased food, and supplies held for resale, and materials and supplies for consumption.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items.

H. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values on the date donated. The Center maintains a capitalization threshold of \$300. The Center does not have any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Building and Building Improvements	15 – 50 years
Furniture and Equipment	5 – 25 years
Vehicles	5 – 15 years
Land Improvements	15 – 99 years

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

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

I. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as interfund receivables/payables. Interfund balances within governmental activities are eliminated on the government wide statement of net position.

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits as well as those that are probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Center's termination policy. The Center records a liability for accumulated unused sick leave for employees age 50 or older after ten years of service.

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. Capital leases are recognized as a liability on the fund financial statements when due.

L. Interfund Transactions

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

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. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

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

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the 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.

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 Center Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the 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 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 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 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.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

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

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets are recorded net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

O. Estimates

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

P. Unamortized Bond Premium

In the government-wide financial statements bond premiums and deferred amounts on refunding are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Q. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Center has no restricted assets.

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.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

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

S. Fair Value

The 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. Change in Accounting Principles

For fiscal year 2016, the 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 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 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 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 Center.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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 deficit:

<u>Nonmajor fund</u>	<u>Deficit</u>
Miscellaneous grant funds	\$ 6,331

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 resulted from adjustments for accrued liabilities.

NOTE 4 - CASH AND INVESTMENTS

State statutes classify monies held by the 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 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;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 State Treasury Asset Reserve of Ohio (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 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 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 with Fiscal Agents

At June 30, 2016, the Center had \$450,924 held by a fiscal agent account related to a promissory note. These funds are expected to be deposited to the Center during the next fiscal year. These amounts are not included in "deposits with financial institutions" below.

B. Cash on Hand

At June 30, 2016, the Center had \$1,210 in cash on hand. This amount is reported as "equity in pooled cash, cash equivalents and investments" on the basic financial statements.

C. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all Center deposits was \$5,397,389. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$4,674,827 of the Center's bank balance of \$5,674,827 was exposed to custodial risk as discussed below, while \$1,000,000 was covered by the FDIC.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Center's deposits may not be returned. All deposits are 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 Center. The 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 Center to a successful claim by the FDIC.

D. Investments

As of June 30, 2016, the Center had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 50	\$ 50	\$ -	\$ -	\$ -	\$ -
US government money market	11,898	11,898	-	-	-	-
Negotiable CD's	741,382	-	-	247,876	-	493,506
FHLB	528,523	-	199,789	328,734	-	-
FHLMC	353,915	-	-	-	173,915	180,000
FNMA	373,819	-	-	-	173,819	200,000
Total	<u>\$ 2,009,587</u>	<u>\$ 11,948</u>	<u>\$ 199,789</u>	<u>\$ 576,610</u>	<u>\$ 347,734</u>	<u>\$ 873,506</u>

The weighted average maturity of investments is 2.25 years.

The Center's investments in federal agency securities, negotiable certificates of deposit and U.S. government money market are valued using quoted market prices (Level 1 inputs). The Center's investment in STAR Ohio are valued at the daily redemption value as reported by the underlying fund (Level 1 inputs).

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Center's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The Center's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned U.S. Government money market mutual funds and STAR Ohio an AAAM money market rating. The Center's negotiable certificates of deposit are not rated. The Center has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and U.S Treasury securities are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Center's name. The Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The Center places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Center at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 50	0.00
US government money market	11,898	0.59
Negotiable CD's	741,382	36.89
FHLB	528,523	26.30
FHLMC	353,915	17.61
FNMA	<u>373,819</u>	<u>18.61</u>
Total	<u>\$ 2,009,587</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	\$ 5,397,389
Investments	2,009,587
Cash on hand	1,210
Cash with fiscal agents	<u>450,924</u>
Total	<u>\$ 7,859,110</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,844,052
Agency funds	<u>15,058</u>
Total	<u>\$ 7,859,110</u>

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 5 - PROPERTY TAXES

Property taxes are levied, assessed and collected on a calendar year basis, while the Center's fiscal year runs from July through June. They include amounts levied against all real, public utility, and tangible personal property located in the Center's boundaries. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semiannually. If paid annually, payment is due January 20. If paid semi-annually, the first payment is usually due January 20, with the remainder payable June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100 percent of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Center receives property taxes from Madison, Franklin, Union, Delaware and Fayette Counties. Tax settlements are made each February and August for real property and each June and October for personal property taxes.

Accrued property taxes receivable includes the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of fiscal year end, and for which there was an enforceable legal claim. Although, total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The receivable is offset by a credit to deferred inflows for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2016 was \$3,976,235.

On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On the modified accrual basis, the revenue is a deferred inflow of resources.

The full tax rate at the fiscal year ended June 30, 2016 for operations was \$1.60 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2016 taxes were collected were as follows:

	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	\$ 6,336,450,560	97.33	\$ 6,744,149,200	97.08
Public utility personal	<u>173,956,558</u>	<u>2.67</u>	<u>202,947,260</u>	<u>2.92</u>
Total	<u>\$ 6,510,407,118</u>	<u>100.00</u>	<u>\$ 6,947,096,460</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 1.60		\$ 1.60	

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 6 - RECEIVABLES

Receivables at June 30, 2016 consisted of taxes, interest, accounts (tuition and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

Governmental Activities	<u>Amount</u>
Property taxes	\$ 9,808,082
Accounts	1,178
Interest	11,212
Intergovernmental	<u>204,355</u>
Total Governmental Activities	<u><u>\$ 10,024,827</u></u>

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**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows. Beginning balances have been reclassified to correctly state asset balances between asset classes. There was no effect on net position.

	Restated Balance June 30, 2015	Additions	Disposals	Balance June 30, 2016
<i>Governmental Activities</i>				
Nondepreciable capital assets-				
Land	\$ 150,000	\$ -	\$ -	\$ 150,000
Construction in progress	-	1,803,686	-	1,803,686
Total nondepreciable capital assets	<u>150,000</u>	<u>1,803,686</u>	<u>-</u>	<u>1,953,686</u>
Depreciable capital assets:				
Land improvements	104,016	-	-	104,016
Building and building improvements	21,632,868	262,938	-	21,895,806
Furniture and equipment	9,028,042	646,679	(554,126)	9,120,595
Vehicles	<u>94,282</u>	<u>18,197</u>	<u>-</u>	<u>112,479</u>
Total depreciable capital assets	<u>30,859,208</u>	<u>927,814</u>	<u>(554,126)</u>	<u>31,232,896</u>
Accumulated depreciation:				
Land improvements	(16,961)	(2,173)	-	(19,134)
Building and building improvements	(9,871,310)	(517,798)	-	(10,389,108)
Furniture and equipment	(5,219,711)	(596,345)	480,445	(5,335,611)
Vehicles	<u>(73,725)</u>	<u>(3,786)</u>	<u>-</u>	<u>(77,511)</u>
Total accumulated depreciation	<u>(15,181,707)</u>	<u>(1,120,102)</u>	<u>480,445</u>	<u>(15,821,364)</u>
Total depreciable capital assets, net	<u>15,677,501</u>	<u>(192,288)</u>	<u>(73,681)</u>	<u>15,411,532</u>
Total governmental activities capital assets, net	<u>\$ 15,827,501</u>	<u>\$ 1,611,398</u>	<u>\$ (73,681)</u>	<u>\$ 17,365,218</u>

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instructional:	
Regular	\$ 23,477
Special	6,625
Vocational	856,074
Adult/Continuing	258
Support services:	
Pupil	5,496
Instructional staff	111,524
Administration	3,623
Fiscal	643
Operation and maintenance of plant	67,337
Central	26,984
Extracurricular activities	87
Food Service	17,974
Total depreciation	<u>\$ 1,120,102</u>

NOTE 8 - LONG-TERM OBLIGATIONS

During fiscal year 2016, the following changes occurred in governmental activities long-term obligations.

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due in One Year
<i>Governmental Activities</i>					
General obligations bonds	\$ 2,045,000	\$ -	\$ (655,000)	\$ 1,390,000	\$ 680,000
Promissory Note	-	2,254,610	(51,251)	2,203,359	157,646
Capital Leases Payable	52,178	-	(31,454)	20,724	20,724
Net Pension Liability	15,276,263	1,878,694	-	17,154,957	-
Compensated absences payable	<u>499,543</u>	<u>706,194</u>	<u>(372,341)</u>	<u>833,396</u>	<u>112,019</u>
Total	<u>\$ 17,872,984</u>	<u>\$ 4,839,498</u>	<u>\$ (1,110,046)</u>	<u>\$ 21,602,436</u>	<u>\$ 970,389</u>
Add: Unamortized premiums				<u>40,157</u>	
Total amount reported on the statement of net position				<u>\$ 21,642,593</u>	

Payments of principal and interest relating to the bonds and the capital lease agreement are recorded as expenditures in the Bond Retirement Fund (a nonmajor governmental fund) and General Fund, respectively. Compensated absences are paid from the General Fund for all funds except the Adult Education fund (a nonmajor governmental fund).

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

See Note 10 for further discussion of the Net Pension Liability.

On September 27, 2007 the Board of Education issued \$6,590,000 in un-voted general obligation bonds for the purpose of renovating, constructing and improving the existing school facilities. A portion of these bonds, \$650,000, were for the purchase and installation of energy conservation measures, which were initially, paid from existing General Fund monies. As a result, proceeds of \$650,000 were recorded in the General Fund. Bond issuance costs of \$121,375 were incurred in conjunction with the issuance. The effective interest rate on the bonds outstanding is 3.8%.

The following is a schedule of the future annual debt service requirements for the general obligation bonds:

Fiscal Year	Principal	Interest	Total
2017	\$ 680,000	\$ 42,000	\$ 722,000
2018	710,000	14,200	724,200
Total	<u>\$ 1,390,000</u>	<u>\$ 56,200</u>	<u>\$ 1,446,200</u>

On February 19, 2016 the Board of Education entered into a promissory note with the Richwood Banking Company for \$2,254,610 in order to fund an energy conservation project. The note carries an interest rate of 3.75%. The note will mature on November 20, 2027. The following is a schedule of the future annual debt service requirements for the promissory note.

Fiscal Year	Principal	Interest	Total
2017	\$ 157,646	\$ 79,935	\$ 237,581
2018	163,661	73,920	237,581
2019	169,905	67,676	237,581
2020	176,387	61,194	237,581
2021	183,116	54,465	237,581
2022 - 2026	1,025,858	162,047	1,187,905
2027 - 2028	326,786	9,254	336,040
Total	<u>\$ 2,203,359</u>	<u>\$ 508,491</u>	<u>\$ 2,711,850</u>

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 9 - CAPITAL LEASES

The Center entered into a capital lease agreement in fiscal year 2012 and retired a previous agreement early. The new agreement is for six copiers with a total value of \$ 129,381. Principal payments made from the General fund on the leases in 2016 and 2015 were \$31,454 and \$26,949, respectively.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments of June 30, 2016:

Year	Governmental Activities
2017	\$ 21,772
Total	21,772
Less: Amount representing interest	(1,048)
Present Value of Net Minimum Lease Payments	\$ 20,724

NOTE 10 - 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 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.

The Ohio Revised Code limits the Center’s obligation for this liability to annually required payments. The Center cannot control benefit terms or the manner in which pensions are financed; however, the 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.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description –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 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 Center’s contractually required contribution to SERS was \$210,051 for fiscal year 2016. Of this amount, \$4,704 is reported as pension obligation payable.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description –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.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 10 - 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 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 Center’s contractually required contribution to STRS was \$828,899 for fiscal year 2016. Of this amount, \$120,051 is reported as pension obligation 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 Center's proportion of the net pension liability was based on the 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	\$ 2,697,848	\$ 14,457,109	\$ 17,154,957
Proportion of the net pension liability	0.04728010%	0.05231056%	
Pension expense	\$ 150,766	\$ 637,442	\$ 788,208

At June 30, 2016, the 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	\$ 43,942	\$ 659,706	\$ 703,648
Center contributions subsequent to the measurement date	<u>210,051</u>	<u>828,899</u>	<u>1,038,950</u>
Total deferred outflows of resources	<u>\$ 253,993</u>	<u>\$ 1,488,605</u>	<u>\$ 1,742,598</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 97,963	\$ 1,052,125	\$ 1,150,088
Changes in proportionate share	<u>53,387</u>	<u>83,934</u>	<u>137,321</u>
Total deferred inflows of resources	<u>\$ 151,350</u>	<u>\$ 1,136,059</u>	<u>\$ 1,287,409</u>

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$1,038,950 reported as deferred outflows of resources related to pension resulting from 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:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	\$ (52,279)	\$ (259,532)	\$ (311,811)
2018	(52,279)	(259,532)	(311,811)
2019	(52,276)	(259,529)	(311,805)
2020	<u>49,426</u>	<u>302,240</u>	<u>351,666</u>
Total	<u>\$ (107,408)</u>	<u>\$ (476,353)</u>	<u>\$ (583,761)</u>

Actuarial Assumptions - SERS

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

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

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

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

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 10 - 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></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 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.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	\$ 3,740,946	\$ 2,697,848	\$ 1,819,474

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:

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

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.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

The following table presents the 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 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%)
Center's proportionate share of the net pension liability	\$ 20,082,015	\$ 14,457,109	\$ 9,700,412

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The 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.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

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 Center's surcharge obligation was \$7,010.

The Center's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$7,010, \$18,005, and \$20,752, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

Plan Description – The 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 Center's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$55,583, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements, Board policies and State laws. Only administrative and twelve month school support personnel accumulate vacation based on the following factors:

<u>Years of Service</u>	<u>Vacation Days</u>
After 1 Year	10
5 or more Years	15
10 or more Years	20

All administrative personnel earn twenty days vacation annually.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for all employees is 335 days. Upon retirement, all employees with 20 year of service to the Center receive 27% of accumulated sick leave. All other qualified employees receive 25% of accumulated sick leave.

NOTE 13 - RISK MANAGEMENT

A. General Risk

The 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 Center has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$3,000,000 for each occurrence and \$5,000,000 in the aggregate.

The Center maintains fleet insurance in the amount of \$3,000,000 for any one accident or loss.

The Center maintains replacement cost insurance on buildings and contents in the amount of \$55,352,981 (subject to scheduled limits). The Center maintains other property insurance for valuable papers, electronic data processing equipment, and mechanical, electrical and pressure equipment. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions of coverage from the prior years.

B. Workers' Compensation-Public Entity Risk Pool

The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school Centers pay an enrollment fee to the GRP to cover the costs of administering the program.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 13 - RISK MANAGEMENT - (Continued)

The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Insurance

The Center provides life insurance and accidental death and dismemberment insurance to its employees through the Metropolitan Educational Council insurance purchasing program. The Center has elected to provide employee medical/surgical benefits through United HealthCare and dental benefits through Oasis Trust, fully funded programs.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META) Solutions

The Center is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2016, the Center paid META Solutions \$31,352 for services. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

NOTE 15 - CONTINGENCIES

A. Grants

The Center received financial assistance from federal and state 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2016.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 15 - CONTINGENCIES - (Continued)

B. Litigation

There are currently no matters in litigation with the Center as defendant.

C. Foundation Funding

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 of the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the 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 Center; therefore, the financials statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the Center.

NOTE 16 - COMMITMENTS

The 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 Center's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End</u>
General fund	\$ 436,526
Capital projects	225,463
Other governmental	<u>71,613</u>
Total	<u>\$ 733,602</u>

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 17 - STATUTORY RESERVES

The 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 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	104,499
Current year offsets	<u>(573,786)</u>
Total	<u>\$ (469,287)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to an assignment of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) as opposed to cost (budget basis); and,

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (1,383,631)
Net adjustment for revenue accruals	188,981
Net adjustment for expenditure accruals	(61,177)
Net adjustment for other sources/uses	407,807
Funds budgeted elsewhere	37,777
Adjustment for encumbrances	551,175
GAAP basis	\$ (259,068)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the rotary fund, the public school fund, and the District agency fund.

NOTE 19 - INTERFUND TRANSACTIONS

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

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Capital projects fund	\$ 450,924

The primary purpose of the interfund balance is to cover costs during the Center's construction project. These 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.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY**

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

NOTE 19 - INTERFUND TRANSACTIONS - (Continued)

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

<u>Transfers from:</u>	<u>Transfers to:</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 830,825
Nonmajor governmental funds	General fund	11,000
Nonmajor governmental funds	Nonmajor governmental funds	<u>79,194</u>
Total		<u>\$ 921,019</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. A transfer of \$11,000 was made from the underground storage tank fund (a nonmajor governmental fund) to the General fund in order to close out the fund during the fiscal year. The transfer of \$79,194 was made from the building fund (a nonmajor governmental fund) to the debt service fund (a nonmajor governmental fund) for debt payments.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements. No interfund transfers are reported on the statement of activities.

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

- C.** Interfund balances at June 30, 2016 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 56,040</u>

The primary purpose of the due to/from other funds is to cover negative cash in various nonmajor governmental funds. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE 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>
Center's proportion of the net pension liability	0.04728010%	0.04867200%	0.04867200%
Center's proportionate share of the net pension liability	\$ 2,697,848	\$ 2,463,262	\$ 2,894,268
Center's covered-employee payroll	\$ 1,423,376	\$ 1,414,300	\$ 1,516,900
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	190.80%
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.

Note: Amounts presented as of the Center's measurement date, which is the prior fiscal year.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE 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>
Center's proportion of the net pension liability	0.05231056%	0.05267754%	0.05267754%
Center's proportionate share of the net pension liability	\$ 14,457,109	\$ 12,813,001	\$ 15,262,763
Center's covered-employee payroll	\$ 5,457,729	\$ 5,382,192	\$ 5,485,200
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.89%	238.06%	278.25%
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.

Note: Amounts presented as of the Center's measurement date, which is the prior fiscal year.

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF 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	\$ 210,051	\$ 187,601	\$ 196,022	\$ 209,939
Contributions in relation to the contractually required contribution	<u>(210,051)</u>	<u>(187,601)</u>	<u>(196,022)</u>	<u>(209,939)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's covered-employee payroll	\$ 1,500,364	\$ 1,423,376	\$ 1,414,300	\$ 1,516,900
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>
\$ 196,818	\$ 181,232	\$ 188,275	\$ 127,781	\$ 115,080	\$ 121,935
<u>(196,818)</u>	<u>(181,232)</u>	<u>(188,275)</u>	<u>(127,781)</u>	<u>(115,080)</u>	<u>(121,935)</u>
<u>\$ -</u>					
\$ 1,463,331	\$ 1,441,782	\$ 1,390,510	\$ 1,298,587	\$ 1,171,894	\$ 1,141,713
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF 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	\$ 828,899	\$ 764,082	\$ 699,685	\$ 713,076
Contributions in relation to the contractually required contribution	<u>(828,899)</u>	<u>(764,082)</u>	<u>(699,685)</u>	<u>(713,076)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's covered-employee payroll	\$ 5,920,707	\$ 5,457,729	\$ 5,382,192	\$ 5,485,200
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>
\$ 717,572	\$ 726,018	\$ 745,911	\$ 695,650	\$ 702,736	\$ 658,174
<u>(717,572)</u>	<u>(726,018)</u>	<u>(745,911)</u>	<u>(695,650)</u>	<u>(702,736)</u>	<u>(658,174)</u>
<u>\$ -</u>					
\$ 5,519,785	\$ 5,584,754	\$ 5,737,777	\$ 5,351,154	\$ 5,405,662	\$ 5,062,877
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**TOLLES CAREER AND TECHNICAL CENTER
MADISON 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 financials 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 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 financials for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

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**TOLLES CAREER AND TECHNICAL 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			
Child Nutrition Cluster:			
(C) (D) School Breakfast Program	10.553	2016	\$ 17,348
(C) (D) National School Lunch Program	10.555	2016	80,698
(D) (E) National School Lunch Program - Donations	10.555	2016	17,787
Total National School Lunch Program			98,485
Total U.S. Department of Agriculture and Child Nutrition Cluster			115,833
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Adult Education_State Grant Program	84.002	2015	42,396
Adult Education_State Grant Program	84.002	2016	134,366
Adult Education_State Grant Program - EL/Civics	84.002	2015	4,534
Adult Education_State Grant Program - EL/Civics	84.002	2016	20,902
Total Adult Education State Grant Program			202,198
Career and Technical Education_Basic Grants to States	84.048	2015	64,823
Career and Technical Education_Basic Grants to States	84.048	2016	339,709
Total Career and Technical Education Basic Grants to States			404,532
Rural Education	84.358	2015	16,323
Rural Education	84.358	2016	59,505
Total Rural Education			75,828
Improving Teacher Quality State Grants	84.367	2016	1,110
Total Improving Teacher Quality State Grants			1,110
Total U.S. Department of Education			683,668
Total Federal Financial Assistance			\$ 799,501

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 Tolles Career and Technical 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 Tolles Career and Technical Center, it is not intended to and does not present the financial position or changes in net position, of the Tolles Career and Technical Center.
- (C) Commingled with state and local revenue from sales of 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) 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 Center has elected not to use the 10% de minimis indirect cost rate.

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

Tolles Career and Technical Center
Madison County
7877 U.S. Highway 42 South
Plain City, Ohio 43064

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 Tolles Career and Technical Center, Madison 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 Tolles Career and Technical Center's basic financial statements and have issued our report thereon dated December 28, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Tolles Career and Technical 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 Tolles Career and Technical 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 Tolles Career and Technical 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
Tolles Career and Technical Center

Compliance and Other Matters

As part of reasonably assuring whether the Tolles Career and Technical 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 Tolles Career and Technical Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Tolles Career and Technical 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.
December 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**

Tolles Career and Technical Center
Madison County
7877 U.S. Highway 42 South
Plain City, Ohio 43064

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Tolles Career and Technical 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 Tolles Career and Technical 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 Tolles Career and Technical Center's major federal program.

Management's Responsibility

The Tolles Career and Technical 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 Tolles Career and Technical Center's compliance for the Tolles Career and Technical 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 Tolles Career and Technical 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 Tolles Career and Technical Center's major program. However, our audit does not provide a legal determination of the Tolles Career and Technical Center's compliance.

Board of Education
Tolles Career and Technical Center

Opinion on the Major Federal Program

In our opinion, the Tolles Career and Technical 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.

Report on Internal Control Over Compliance

The Tolles Career and Technical 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 Tolles Career and Technical Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Tolles Career and Technical 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.
December 28, 2016

**TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO**

**SCHEDULE OF FINDINGS
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 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>	Career and Technical Education Basic Grants to States, CFDA #84.048
<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
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None

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Dave Yost • Auditor of State

TOLLES CAREER AND TECHNICAL CENTER

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 30, 2017**