



Dave Yost • Auditor of State



**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Career and Technology Education Centers, Licking County, Ohio, (the Center), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the 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 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 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 Career and Education Technology Centers, Licking County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Adult Education, and Straight A Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the Center adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015, on our consideration of the 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 Center's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 4, 2015

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## **Career and Technology Education Centers of Licking County, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2015*

*Unaudited*

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The discussion and analysis of the Career and Technology Education Centers of Licking County's (C-TEC) financial performance provides an overall review of C-TEC's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at C-TEC's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of C-TEC's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

- Net position of governmental activities increased \$4,040,758.
- Capital assets decreased \$464,555 primarily due to current year depreciation in the amount of \$1,160,219 which was offset by capital asset additions.
- General revenues accounted for \$14,158,379 or 71 percent of total revenues of \$19,948,336. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$5,789,957, or 29 percent of total revenues.
- C-TEC had \$15,907,578 in expenses related to governmental activities; only \$5,789,957 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues of \$14,158,379 were adequate to provide for these activities.

### **Using this Annual Financial Report**

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

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

### ***Reporting C-TEC as a Whole***

#### **Statement of Net Position and Statement of Activities**

While this document contains information about the large number of funds used by C-TEC to provide programs and activities for students, the view of C-TEC as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

## **Career and Technology Education Centers of Licking County, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2015*

*Unaudited*

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

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

### ***Reporting C-TEC's Most Significant Funds***

#### ***Fund Financial Statements***

The analysis of C-TEC's major funds begins on page 11. Fund financial reports provide detailed information about C-TEC's major funds. C-TEC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on C-TEC's most significant funds. C-TEC's major governmental funds are the General Fund, Adult Education and Straight A Special Revenue Funds, and Bond Retirement Debt Service Fund.

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

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

### **C-TEC as a Whole**

Recall that the Statement of Net Position provides the perspective of C-TEC as a whole. Table 1 provides a summary of C-TEC's net position for 2015 compared to 2014.

**Career and Technology Education Centers of Licking County, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2015*

*Unaudited*

**Table 1**  
**Net Position**

|  | Governmental Activities |                   |                    |
|--|-------------------------|-------------------|--------------------|
|  | 2015                    | 2014              | Change             |
| <b>Assets</b>                              |                         |                   |                    |
| Current and Other Assets                   | \$23,791,927            | \$21,106,268      | \$2,685,659        |
| Capital Assets                             | 34,344,968              | 34,809,523        | (464,555)          |
| <i>Total Assets</i>                        | <u>58,136,895</u>       | <u>55,915,791</u> | <u>2,221,104</u>   |
| <b>Deferred Outflows of Resources</b>      |                         |                   |                    |
| Pension                                    | 1,401,148               | 1,119,103         | 282,045            |
| <b>Liabilities</b>                         |                         |                   |                    |
| Current and Other Liabilities              | 1,158,888               | 1,180,072         | (21,184)           |
| Long-Term Liabilities:                     |                         |                   |                    |
| Due Within One Year                        | 1,613,332               | 1,708,207         | (94,875)           |
| Net Pension Liability                      | 18,209,359              | 21,609,246        | (3,399,887)        |
| Other Amounts Due in More Than One Year    | 22,663,932              | 24,014,000        | (1,350,068)        |
| <i>Total Liabilities</i>                   | <u>43,645,511</u>       | <u>48,511,525</u> | <u>(4,866,014)</u> |
| <b>Deferred Inflows of Resources</b>       |                         |                   |                    |
| Deferred Charge on Refunding               | 17,070                  | 19,079            | (2,009)            |
| Property Taxes                             | 8,208,170               | 8,132,032         | 76,138             |
| Pension                                    | 3,254,276               | 0                 | 3,254,276          |
| <i>Total Deferred Inflows of Resources</i> | <u>11,479,516</u>       | <u>8,151,111</u>  | <u>3,328,405</u>   |
| <b>Net Position</b>                        |                         |                   |                    |
| Net Investment in Capital Assets           | 11,288,203              | 10,262,385        | 1,025,818          |
| Restricted                                 | 2,554,725               | 1,401,411         | 1,153,314          |
| Unrestricted (Deficit)                     | (9,429,912)             | (11,291,538)      | 1,861,626          |
| <b>Total Net Position</b>                  | <u>\$4,413,016</u>      | <u>\$372,258</u>  | <u>\$4,040,758</u> |

During fiscal year 2015, C-TEC adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of C-TEC's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all governmental 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.

## Career and Technology Education Centers of Licking County, Ohio

### Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Unaudited

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

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

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

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

In accordance with GASB 68, C-TEC'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.

As a result of implementing GASB 68, C-TEC is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$20,862,401 to \$372,258.

The increase in current and other assets in the amount of \$2,685,659 is mainly due to an increase in cash and cash equivalents in the amount of \$1,503,028 and an increase in intergovernmental receivables in the amount of \$1,050,192. The increase in cash and cash equivalents is primarily due to C-TEC's revenues remaining higher than current expenses. C-TEC is still following guidelines for spending that were developed in fiscal year 2010 when a reduction in force was implemented. The State has also continued to fund Career Centers at the same level as fiscal year 2011 funding; however, as a result of the reduction in force and stable funding, cash and cash equivalents increased in fiscal years 2012, 2013, 2014, and 2015. Intergovernmental receivable reflects an increase from fiscal year 2014 in the amount of \$1,050,192 due mainly to C-TEC's participation in the Straight A program which is being used to

**Career and Technology Education Centers of Licking County, Ohio**

*Management's Discussion and Analysis  
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improve technology used in the classroom. The \$464,555 decrease in capital assets is primarily due to current year depreciation in the amount of \$1,160,219 which was offset by current year capital asset additions.

Other liabilities reflect a slight decrease in the amount of \$21,184. The decrease was due mainly to a decrease in accounts payable due to a decrease in outstanding bills at fiscal year-end as compared to fiscal year-end 2014. The \$94,875 decrease in long-term liabilities due within one year and the \$1,350,068 decrease in other amounts due in more than one year is primarily due to fiscal year 2015 debt principal payments in the amount of \$433,744, capital appreciation bond accretion payments in the amount of \$1,220,944, and bond premium amortization in the amount of \$343,655. The School Facilities Improvement Refunding Bonds 2010 capital appreciation bond accretion increased in the amount of \$477,633 during fiscal year 2015. Compensated absences reflect an increase of \$75,767 in fiscal year 2015. See Note 15 for additional information concerning long-term liabilities.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015, and comparisons to fiscal year 2014.

**Table 2  
Changes in Net Position**

|  | Governmental Activities |                     |                    |
|--|-------------------------|---------------------|--------------------|
|  | 2015                    | 2014                | Change             |
| <b>Revenues</b>                              |                         |                     |                    |
| Program Revenues                             |                         |                     |                    |
| Charges for Services                         | \$2,468,878             | \$2,397,273         | \$71,605           |
| Operating Grants, Contributions and Interest | 3,321,079               | 1,812,906           | 1,508,173          |
| <i>Total Program Revenues</i>                | <u>5,789,957</u>        | <u>4,210,179</u>    | <u>1,579,778</u>   |
| General Revenue                              |                         |                     |                    |
| Property Taxes                               | 8,956,100               | 8,695,033           | 261,067            |
| Gain on Sale of Capital Asset                | 8,317                   | 0                   | 8,317              |
| Grants and Entitlements                      | 5,069,413               | 5,105,896           | (36,483)           |
| Investment Earnings                          | 45,294                  | 39,947              | 5,347              |
| Miscellaneous                                | 79,255                  | 36,991              | 42,264             |
| <i>Total General Revenue</i>                 | <u>14,158,379</u>       | <u>13,877,867</u>   | <u>280,512</u>     |
| <i>Total Revenues</i>                        | <u>\$19,948,336</u>     | <u>\$18,088,046</u> | <u>\$1,860,290</u> |

(Continued)

**Career and Technology Education Centers of Licking County, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2015*

*Unaudited*

**Table 2**  
**Changes in Net Position (Continued)**

|   | Governmental Activities   |                         |                           |
|---|---------------------------|-------------------------|---------------------------|
|   | 2015                      | 2014                    | Change                    |
| <b>Program Expenses</b>                 |                           |                         |                           |
| Instruction                             |                           |                         |                           |
| Regular                                 | \$325,971                 | \$351,959               | (\$25,988)                |
| Special                                 | 600,980                   | 615,109                 | (14,129)                  |
| Vocational                              | 5,426,496                 | 4,849,887               | 576,609                   |
| Adult/Continuing                        | 2,146,146                 | 2,225,232               | (79,086)                  |
| Support Services                        |                           |                         |                           |
| Pupils                                  | 637,219                   | 544,828                 | 92,391                    |
| Instructional Staff                     | 1,676,730                 | 1,665,496               | 11,234                    |
| Board of Education                      | 23,779                    | 23,150                  | 629                       |
| Administration                          | 893,491                   | 1,008,474               | (114,983)                 |
| Fiscal                                  | 409,455                   | 530,747                 | (121,292)                 |
| Business                                | 343,624                   | 332,478                 | 11,146                    |
| Operation and Maintenance of Plant      | 1,808,193                 | 1,755,825               | 52,368                    |
| Pupil Transportation                    | 14,400                    | 23,654                  | (9,254)                   |
| Central                                 | 265,402                   | 162,703                 | 102,699                   |
| Operation of Non-Instructional Services |                           |                         |                           |
| Food Service Operations                 | 228,568                   | 245,141                 | (16,573)                  |
| Other                                   | 42,915                    | 41,934                  | 981                       |
| Extracurricular Activities              | 92,557                    | 85,450                  | 7,107                     |
| Interest and Fiscal Charges             | 971,652                   | 1,010,730               | (39,078)                  |
| <i>Total Expenses</i>                   | <u>15,907,578</u>         | <u>15,472,797</u>       | <u>434,781</u>            |
| <i>Change in Net Position</i>           | 4,040,758                 | 2,615,249               | 1,425,509                 |
| <i>Net Position Beginning of Year</i>   | 372,258                   | N/A                     |                           |
| <b>Net Position End of Year</b>         | <u><u>\$4,413,016</u></u> | <u><u>\$372,258</u></u> | <u><u>\$4,040,758</u></u> |

The information necessary to restate fiscal year 2014 beginning balances and fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, fiscal year 2014 functional expenses still include pension expense of \$1,119,103 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, fiscal year 2015 statements report pension expense of \$803,818. Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed:

|   |                         |
|---|-------------------------|
| Total 2015 program expenses under GASB 68           | \$15,907,578            |
| Pension expense under GASB 68                       | (803,818)               |
| 2015 contractually required contribution            | <u>1,231,474</u>        |
| Adjusted 2015 program expenses                      | 16,335,234              |
| Total 2014 program expenses under GASB 27           | <u>15,472,797</u>       |
| Increase in program expenses not related to pension | <u><u>\$862,437</u></u> |

**Career and Technology Education Centers of Licking County, Ohio**

*Management's Discussion and Analysis*

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*Unaudited*

C-TEC's net position increased \$4,040,758. Revenues increased in the amount of \$1,860,290 during fiscal year 2015 when compared to fiscal year 2014. The increase in revenues was largely attributed to significant increases in operating grants, contributions and interest in the amount of \$1,508,173 which is the result of C-TEC participating in the Straight A program during fiscal year 2015. Property tax revenues increased during fiscal year 2015 due to an increase in property tax assessed valuations in the amount of \$105 million.

Interest and fiscal charges decreased due to the decrease in scheduled interest payments on current outstanding bonds. C-TEC had refunded bonds in calendar year 2010 and again in calendar year 2013 in order to decrease the annual debt interest payments.

Instructional programs comprise approximately 53 percent of total governmental program expenses. Of the instructional expenses, approximately 4 percent is for regular instruction, 7 percent for special instruction, 64 percent for vocational instruction, and 25 percent for adult/continuing instruction. Support services comprise approximately 38 percent of total governmental program expenses.

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

**Table 3  
Governmental Activities**

|   | 2015<br>Total Cost<br>of Services | 2015<br>Net Cost<br>of Services | 2014<br>Total Cost<br>of Services | 2014<br>Net Cost<br>of Services |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program Expenses                        |                                   |                                 |                                   |                                 |
| Instruction:                            |                                   |                                 |                                   |                                 |
| Regular                                 | \$325,971                         | \$226,007                       | \$351,959                         | \$249,345                       |
| Special                                 | 600,980                           | 261,057                         | 615,109                           | 299,031                         |
| Vocational                              | 5,426,496                         | 3,574,473                       | 4,849,887                         | 4,439,472                       |
| Adult/Continuing                        | 2,146,146                         | 180,324                         | 2,225,232                         | 259,979                         |
| Support Services:                       |                                   |                                 |                                   |                                 |
| Pupils                                  | 637,219                           | 382,104                         | 544,828                           | 330,964                         |
| Instructional Staff                     | 1,676,730                         | 1,258,695                       | 1,665,496                         | 1,269,914                       |
| Board of Education                      | 23,779                            | 23,779                          | 23,150                            | 23,150                          |
| Administration                          | 893,491                           | 780,784                         | 1,008,474                         | 877,361                         |
| Fiscal                                  | 409,455                           | 409,455                         | 530,747                           | 530,747                         |
| Business                                | 343,624                           | 87,650                          | 332,478                           | 92,878                          |
| Operation and Maintenance of Plant      | 1,808,193                         | 1,806,793                       | 1,755,825                         | 1,755,825                       |
| Pupil Transportation                    | 14,400                            | 14,400                          | 23,654                            | 23,654                          |
| Central                                 | 265,402                           | 76,229                          | 162,703                           | (8,452)                         |
| Operation of Non-Instructional Services |                                   |                                 |                                   |                                 |
| Food Service Operations                 | 228,568                           | (50,076)                        | 245,141                           | (596)                           |
| Other                                   | 42,915                            | 41,715                          | 41,934                            | 41,897                          |
| Extracurricular Activities              | 92,557                            | 72,580                          | 85,450                            | 66,719                          |
| Interest and Fiscal Charges             | 971,652                           | 971,652                         | 1,010,730                         | 1,010,730                       |
| <b>Totals</b>                           | <u>\$15,907,578</u>               | <u>\$10,117,621</u>             | <u>\$15,472,797</u>               | <u>\$11,262,618</u>             |

**Career and Technology Education Centers of Licking County, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2015*

*Unaudited*

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The dependence upon tax revenues and state subsidies for governmental activities is apparent. For 2015, only 36 percent of the governmental activities performed by C-TEC are supported through program revenues such as charges for services, grants, and contributions. The remaining 64 percent is provided through taxes and entitlements.

**C-TEC Funds**

C-TEC's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,003,235, expenditures of \$17,317,873, and other financing sources (uses) of \$8,317.

***General Fund***

The fund balance of the General Fund at June 30, 2015 is \$10,669,017, an increase of \$1,245,315 from fiscal year 2014. The majority of the increase is the result of C-TEC's Board of Education implementing cost saving measures during fiscal years 2010 through 2015. The Board of Education was aware of the financial stress that C-TEC was experiencing and as a result, implemented several cost saving measures which included a reduction in force which was approved on March 25, 2010. In addition, the State continued to provide State funding at the same level as was received in fiscal years 2011 and 2012. The savings from the reduction in force beginning in fiscal year 2011 and the continued level of State funding have resulted in continual increases in the General Fund's fund balance since fiscal year 2010. Property taxes revenue reflects an increase during fiscal year 2015 due to an increase in property tax valuations.

***Other Governmental Major Funds***

***Adult Education Fund***

The fund balance of the Adult Education Special Revenue Fund at June 30, 2015 is \$784,965, an increase of \$86,819 from the prior year. The increase is due primarily to an increase in tuition and fees revenue due to increases in adult education class participation.

***Straight A Fund***

The fund balance of the Straight A Special Revenue Fund at June 30, 2015 is (\$39,742). Fiscal year 2015 was the first year for this program. Current year revenues were \$364,387 and current year expenditures were \$404,129. At fiscal year-end, this fund had an intergovernmental receivable in the amount of \$1,122,758.

***Bond Retirement Fund***

The fund balance of the Bond Retirement Debt Service Fund at June 30, 2015 is \$1,020,735, an increase of \$24,342 from the prior year.

***General Fund Budgeting Highlights***

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



**Career and Technology Education Centers of Licking County, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited*

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During the course of fiscal year 2015, C-TEC amended its original appropriations and as a result, fund appropriations reflect an increase of \$300,000. Final Appropriations exceeded actual expenditures by \$249,438.

C-TEC received \$622,485 more in revenues than what was expected during fiscal year 2015. Actual revenue was \$12,844,023 compared to final estimates of \$12,221,538.

The C-TEC's ending general fund budgetary balance was \$10,162,076.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2015, C-TEC had \$34,344,968 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2015 balances compared to 2014.

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

|                            | <u>Government Activities</u> |                     |
|----------------------------|------------------------------|---------------------|
|                            | <u>2015</u>                  | <u>2014</u>         |
| Land                       | \$107,951                    | \$107,951           |
| Construction in Progress   | 339,147                      | 156,118             |
| Land Improvements          | 12,644                       | 0                   |
| Buildings and Improvements | 31,355,712                   | 32,246,626          |
| Furniture and Equipment    | 2,460,777                    | 2,215,552           |
| Vehicles                   | 68,737                       | 83,276              |
| <b>Totals</b>              | <b>\$34,344,968</b>          | <b>\$34,809,523</b> |

See Note 9 for additional information regarding capital assets.

***Debt***

At June 30, 2015, C-TEC had \$23,687,236 in bonded debt outstanding (including premiums), with \$1,596,189 being due within one year.

**Career and Technology Education Centers of Licking County, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
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**Table 5  
Outstanding Debt at June 30**

|  | <u>Government Activities</u> |                            |
|--|------------------------------|----------------------------|
|  | <u>2015</u>                  | <u>2014</u>                |
| Construction and Equipment Long-Term Loan                      | \$133,333                    | \$166,667                  |
| School Facilities Improvement Refunding Bonds                  | 16,650,711                   | 17,954,898                 |
| Various Purpose and Judgement Bonds                            | 3,982,541                    | 4,154,887                  |
| School Facilities Construction and Improvement Refunding Bonds | 2,920,651                    | 2,930,140                  |
| Capital Leases   | <u>0</u>                     | <u>1,354</u>               |
| <b>Totals</b>  | <u><u>\$23,687,236</u></u>   | <u><u>\$25,207,946</u></u> |

See Note 15 for more detailed information of C-TEC's debt. The net pension liability under GASB 68 is also reported as a long-term obligation that has been previously disclosed within the management's discussion and analysis.

**Economic Factors**

Fiscal year 2015 is the sixth consecutive year that C-TEC has avoided deficit spending, allowing the General Fund balance to grow from \$862,797 at June 30, 2009 to just under \$10.7 million as of June 30, 2015. C-TEC continues to prudently manage the resources given by the local taxpayers and continues to benefit from the State guaranteeing the level of State funding C-TEC receives.

House Bill 59 of the State's biennial budget had guaranteed fiscal year 2014 and 2015 at fiscal 2013 levels. With the passage of House Bill 64 of the State's biennial budget, funding for fiscal years 2016 and 2017 has been guaranteed at fiscal year 2015 levels. However, based on C-TEC's projected increases in enrollment, due mainly to additional course offerings at the seventh and eighth grade levels, C-TEC is projected to come off of the guarantee and receive increased funding in fiscal year 2017 which will continue to boost the General Fund cash balance.

C-TEC's fund balance has increased significantly in a short period of time due to reductions made, but also in part due to State funding that is based on a much higher enrollment than what C-TEC currently has. Because of this, it is important for C-TEC to continue to spend tax dollars it receives as efficiently as possible so that it can absorb any change in State funding it receives as well as be able to pay off the remaining \$5.3 million in outstanding general obligation debt (principal and interest) from the 2010 Various Purpose Bonds which are being retired through tax revenue allocations from the General Fund to the Bond Retirement Debt Service Fund.

**Contacting C-TEC's Financial Management**

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

**Career and Technology Education Centers of Licking County**

*Statement of Net Position*

*June 30, 2015*

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>                                    |                            |
| Cash and Cash Equivalents                        | \$12,439,230               |
| Cash and Cash Equivalents in Segregated Accounts | 17,920                     |
| Accounts Receivable                              | 495,118                    |
| Intergovernmental Receivable                     | 1,293,235                  |
| Prepaid Items                                    | 58,579                     |
| Accrued Interest Receivable                      | 2,723                      |
| Inventory Held for Resale                        | 1,167                      |
| Materials and Supplies Inventory                 | 92                         |
| Property Taxes Receivable                        | 9,483,863                  |
| Nondepreciable Capital Assets                    | 447,098                    |
| Depreciable Capital Assets, Net                  | 33,897,870                 |
| <i>Total Assets</i>                              | <u>58,136,895</u>          |
| <b>Deferred Outflows of Resources</b>            |                            |
| Pension  | <u>1,401,148</u>           |
| <b>Liabilities</b>                               |                            |
| Matured Compensated Absences                     | 11,757                     |
| Accounts Payable                                 | 87,589                     |
| Accrued Wages and Benefits                       | 616,921                    |
| Accrued Interest Payable                         | 66,427                     |
| Intergovernmental Payable                        | 215,287                    |
| Vacation Benefit Payable                         | 160,907                    |
| Long-Term Liabilities:                           |                            |
| Due Within One Year                              | 1,613,332                  |
| Due In More Than One Year                        |                            |
| Net Pension Liability (See Note 12)              | 18,209,359                 |
| Other Amounts Due in More Than One Year          | 22,663,932                 |
| <i>Total Liabilities</i>                         | <u>43,645,511</u>          |
| <b>Deferred Inflows of Resources</b>             |                            |
| Deferred Charge on Refunding                     | 17,070                     |
| Property Taxes                                   | 8,208,170                  |
| Pension  | 3,254,276                  |
| <i>Total Deferred Inflows of Resources</i>       | <u>11,479,516</u>          |
| <b>Net Position</b>                              |                            |
| Net Investment in Capital Assets                 | 11,288,203                 |
| Restricted for:                                  |                            |
| Debt Service                                     | 399,570                    |
| Adult Education                                  | 899,463                    |
| Robotics and Advanced Manufacturing Technology   | 1,083,016                  |
| Other Purposes                                   | 172,676                    |
| Unrestricted (Deficit)                           | <u>(9,429,912)</u>         |
| <i>Total Net Position</i>                        | <u><u>\$4,413,016</u></u>  |

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2015*

|   | Program Revenues    |                         |  | Net (Expense)              |
|---|---------------------|-------------------------|--|----------------------------|
|   | Expenses            | Charges for<br>Services | Operating Grants,<br>Contributions<br>and Interest | Revenue and                |
|   |                     |                         |  | Changes in<br>Net Position |
|   |                     |                         |  | Governmental<br>Activities |
| <b>Governmental Activities</b>              |                     |                         |  |                            |
| Instruction:                                |                     |                         |  |                            |
| Regular                                     | \$325,971           | \$3,829                 | \$96,135   | (\$226,007)                |
| Special                                     | 600,980             | 0                       | 339,923  | (261,057)                  |
| Vocational                                  | 5,426,496           | 316,579                 | 1,535,444  | (3,574,473)                |
| Adult/Continuing                            | 2,146,146           | 1,495,290               | 470,532  | (180,324)                  |
| Support Services:                           |                     |                         |  |                            |
| Pupils                                      | 637,219             | 56,987                  | 198,128  | (382,104)                  |
| Instructional Staff                         | 1,676,730           | 274,599                 | 143,436  | (1,258,695)                |
| Board of Education                          | 23,779              | 0                       | 0  | (23,779)                   |
| Administration                              | 893,491             | 104,059                 | 8,648  | (780,784)                  |
| Fiscal                                      | 409,455             | 0                       | 0  | (409,455)                  |
| Business                                    | 343,624             | 0                       | 255,974  | (87,650)                   |
| Operation and Maintenance of Plant          | 1,808,193           | 1,400                   | 0  | (1,806,793)                |
| Pupil Transportation                        | 14,400              | 0                       | 0  | (14,400)                   |
| Central                                     | 265,402             | 59,223                  | 129,950  | (76,229)                   |
| Operation of Non-Instructional<br>Services: |                     |                         |  |                            |
| Food Service Operations                     | 228,568             | 136,935                 | 141,709  | 50,076                     |
| Other Non-Instructional Services            | 42,915              | 0                       | 1,200  | (41,715)                   |
| Extracurricular Activities                  | 92,557              | 19,977                  | 0  | (72,580)                   |
| Interest and Fiscal Charges                 | 971,652             | 0                       | 0  | (971,652)                  |
| <b>Totals</b>                               | <b>\$15,907,578</b> | <b>\$2,468,878</b>      | <b>\$3,321,079</b>                                 | <b>(10,117,621)</b>        |
| <b>General Revenues</b>                     |                     |                         |  |                            |
| Property Taxes Levied for:                  |                     |                         |  |                            |
|   |                     |                         |  | 7,049,499                  |
|   |                     |                         |  | 1,906,601                  |
|   |                     |                         |  | 8,317                      |
|   |                     |                         |  | 5,069,413                  |
|   |                     |                         |  | 45,294                     |
|   |                     |                         |  | 79,255                     |
|   |                     |                         |  | <u>14,158,379</u>          |
|   |                     |                         |  | 4,040,758                  |
|   |                     |                         |  | <u>372,258</u>             |
|   |                     |                         |  | <u>\$4,413,016</u>         |

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**

*Balance Sheet*

*Governmental Funds*

*June 30, 2015*

|  | General             | Adult<br>Education | Straight A         | Bond<br>Retirement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------|--------------------|--------------------|--------------------------------|--------------------------------|
| <b>Assets</b>  |                     |                    |                    |                    |                                |                                |
| Cash and Cash Equivalents  | \$10,630,140        | \$569,473          | \$0                | \$842,329          | \$388,800                      | \$12,430,742                   |
| Cash and Cash Equivalents<br>in Segregated Accounts                    | 3,741               | 14,179             | 0                  | 0                  | 0                              | 17,920                         |
| Restricted Assets:   |                     |                    |                    |                    |                                |                                |
| Equity in Pooled Cash<br>and Cash Equivalents                          | 8,488               | 0                  | 0                  | 0                  | 0                              | 8,488                          |
| Accounts Receivable  | 21,476              | 473,622            | 0                  | 0                  | 20                             | 495,118                        |
| Interfund Receivable   | 121,218             | 0                  | 0                  | 0                  | 5,006                          | 126,224                        |
| Intergovernmental Receivable   | 115                 | 0                  | 1,122,758          | 0                  | 170,362                        | 1,293,235                      |
| Accrued Interest Receivable  | 2,723               | 0                  | 0                  | 0                  | 0                              | 2,723                          |
| Prepaid Items  | 41,381              | 11,246             | 0                  | 0                  | 5,952                          | 58,579                         |
| Inventory Held for Resale  | 0                   | 0                  | 0                  | 0                  | 1,167                          | 1,167                          |
| Materials and Supplies Inventory                                       | 0                   | 0                  | 0                  | 0                  | 92                             | 92                             |
| Property Taxes Receivable  | 7,467,389           | 0                  | 0                  | 2,016,474          | 0                              | 9,483,863                      |
| <b>Total Assets</b>  | <b>\$18,296,671</b> | <b>\$1,068,520</b> | <b>\$1,122,758</b> | <b>\$2,858,803</b> | <b>\$571,399</b>               | <b>\$23,918,151</b>            |
| <b>Liabilities</b>   |                     |                    |                    |                    |                                |                                |
| Accounts Payable   | \$71,875            | \$2,303            | \$522              | \$0                | \$12,889                       | \$87,589                       |
| Accrued Wages and Benefits   | 564,824             | 34,034             | 0                  | 0                  | 18,063                         | 616,921                        |
| Matured Compensated Absences   | 11,757              | 0                  | 0                  | 0                  | 0                              | 11,757                         |
| Interfund Payable  | 3,038               | 0                  | 39,220             | 0                  | 83,966                         | 126,224                        |
| Intergovernmental Payable  | 146,759             | 41,400             | 0                  | 0                  | 27,128                         | 215,287                        |
| <b>Total Liabilities</b>   | <b>798,253</b>      | <b>77,737</b>      | <b>39,742</b>      | <b>0</b>           | <b>142,046</b>                 | <b>1,057,778</b>               |
| <b>Deferred Inflows of Resources</b>                                   |                     |                    |                    |                    |                                |                                |
| Property Taxes   | 6,462,905           | 0                  | 0                  | 1,745,265          | 0                              | 8,208,170                      |
| Unavailable Revenue  | 366,496             | 205,818            | 1,122,758          | 92,803             | 25,371                         | 1,813,246                      |
| <b>Total Deferred Inflows of Resources</b>                             | <b>6,829,401</b>    | <b>205,818</b>     | <b>1,122,758</b>   | <b>1,838,068</b>   | <b>25,371</b>                  | <b>10,021,416</b>              |
| <b>Fund Balances</b>   |                     |                    |                    |                    |                                |                                |
| Nonspendable   | 49,869              | 11,246             | 0                  | 0                  | 6,044                          | 67,159                         |
| Restricted   | 0                   | 773,719            | 0                  | 1,020,735          | 134,741                        | 1,929,195                      |
| Committed  | 15,500              | 0                  | 0                  | 0                  | 275,109                        | 290,609                        |
| Assigned   | 208,585             | 0                  | 0                  | 0                  | 0                              | 208,585                        |
| Unassigned (Deficits)  | 10,395,063          | 0                  | (39,742)           | 0                  | (11,912)                       | 10,343,409                     |
| <b>Total Fund Balances</b>   | <b>10,669,017</b>   | <b>784,965</b>     | <b>(39,742)</b>    | <b>1,020,735</b>   | <b>403,982</b>                 | <b>12,838,957</b>              |
| Total Liabilities, Deferred Inflows of<br>Resources, and Fund Balances | <b>\$18,296,671</b> | <b>\$1,068,520</b> | <b>\$1,122,758</b> | <b>\$2,858,803</b> | <b>\$571,399</b>               | <b>\$23,918,151</b>            |

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**  
*Reconciliation of Total Governmental Funds Balances to  
Net Position of Governmental Activities  
June 30, 2015*

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**Total Governmental Fund Balances** \$12,838,957

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 34,344,968

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources - unavailable revenue in the funds:

|                              |                  |           |
|------------------------------|------------------|-----------|
| Property Taxes Receivable    | 436,512          |           |
| Accrued Interest Receivable  | 2,723            |           |
| Tuition and Fees             | 225,882          |           |
| Intergovernmental Receivable | <u>1,148,129</u> | 1,813,246 |

Vacation Benefits Payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds. (160,907)

Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accrual that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds. (66,427)

Deferred inflows of resources represent deferred charge on refunding which is not reported in the funds. (17,070)

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

|  |                  |              |
|--|------------------|--------------|
| Long-Term Loans Payable                            | (133,333)        |              |
| Current Interest Serial Refunding Bonds Payable    | (15,300,000)     |              |
| Capital Appreciation Refunding Bonds Payable       | (80,935)         |              |
| Refunding Bonds Capital Appreciation Accretion     | (546,921)        |              |
| Premium on Current Interest Serial Refunding Bonds | (446,899)        |              |
| Premium on Capital Appreciation Refunding Bonds    | (275,956)        |              |
| General Obligation Bonds                           | (3,945,000)      |              |
| General Obligation Bonds Premium                   | (37,541)         |              |
| Refunding Serial Bonds Payable                     | (2,840,000)      |              |
| Premium on Refunding Serial Bonds                  | (80,651)         |              |
| Compensated Absences                               | <u>(590,028)</u> | (24,277,264) |

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:

|                             |                    |                     |
|-----------------------------|--------------------|---------------------|
| Deferred Outflows - Pension | 1,401,148          |                     |
| Net Pension Liability       | (18,209,359)       |                     |
| Deferred Inflows - Pension  | <u>(3,254,276)</u> | <u>(20,062,487)</u> |

**Net Position of Governmental Activities** \$4,413,016

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2015*

|   | General             | Adult<br>Education | Straight A        | Bond<br>Retirement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------|-------------------|--------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                               |                     |                    |                   |                    |                                |                                |
| Property Taxes                                | \$7,077,575         | \$0                | \$0               | \$1,935,876        | \$0                            | \$9,013,451                    |
| Intergovernmental                             | 5,444,478           | 393,839            | 364,387           | 255,821            | 912,801                        | 7,371,326                      |
| Interest                                      | 44,106              | 0                  | 0                 | 153                | 715                            | 44,974                         |
| Tuition and Fees                              | 205,254             | 1,878,141          | 0                 | 0                  | 0                              | 2,083,395                      |
| Extracurricular Activities                    | 16,387              | 0                  | 0                 | 0                  | 19,977                         | 36,364                         |
| Rentals                                       | 1,400               | 3,570              | 0                 | 0                  | 0                              | 4,970                          |
| Charges for Services                          | 84,032              | 7,631              | 0                 | 0                  | 268,476                        | 360,139                        |
| Contributions and Donations                   | 0                   | 0                  | 0                 | 0                  | 9,361                          | 9,361                          |
| Miscellaneous                                 | 49,506              | 24,793             | 0                 | 0                  | 4,956                          | 79,255                         |
| <b>Total Revenues</b>                         | <b>12,922,738</b>   | <b>2,307,974</b>   | <b>364,387</b>    | <b>2,191,850</b>   | <b>1,216,286</b>               | <b>19,003,235</b>              |
| <b>Expenditures</b>                           |                     |                    |                   |                    |                                |                                |
| Current:                                      |                     |                    |                   |                    |                                |                                |
| Instruction:                                  |                     |                    |                   |                    |                                |                                |
| Regular                                       | 79,881              | 0                  | 0                 | 0                  | 105,609                        | 185,490                        |
| Special                                       | 620,647             | 0                  | 0                 | 0                  | 0                              | 620,647                        |
| Vocational                                    | 5,111,506           | 0                  | 324,965           | 0                  | 52,618                         | 5,489,089                      |
| Adult/Continuing                              | 2,346               | 1,987,553          | 0                 | 0                  | 116,160                        | 2,106,059                      |
| Support Services:                             |                     |                    |                   |                    |                                |                                |
| Pupils  | 394,694             | 0                  | 0                 | 0                  | 259,967                        | 654,661                        |
| Instructional Staff                           | 1,134,799           | 235,360            | 2,440             | 0                  | 179,245                        | 1,551,844                      |
| Board of Education                            | 19,138              | 0                  | 0                 | 0                  | 0                              | 19,138                         |
| Administration                                | 833,705             | 114,522            | 0                 | 0                  | 8,510                          | 956,737                        |
| Fiscal  | 412,957             | 0                  | 0                 | 0                  | 0                              | 412,957                        |
| Business                                      | 206,560             | 0                  | 0                 | 32,261             | 0                              | 238,821                        |
| Operation and Maintenance of Plant            | 1,676,752           | 0                  | 0                 | 0                  | 0                              | 1,676,752                      |
| Pupil Transportation                          | 8,337               | 0                  | 0                 | 0                  | 0                              | 8,337                          |
| Central                                       | 33,283              | 60,690             | 0                 | 0                  | 140,604                        | 234,577                        |
| Operation of Non-Instructional Services:      |                     |                    |                   |                    |                                |                                |
| Food Service Operations                       | 0                   | 0                  | 0                 | 0                  | 228,568                        | 228,568                        |
| Other Non-Instructional Services              | 41,715              | 0                  | 0                 | 0                  | 1,200                          | 42,915                         |
| Extracurricular Activities                    | 72,989              | 0                  | 0                 | 0                  | 19,568                         | 92,557                         |
| Capital Outlay                                | 0                   | 0                  | 76,724            | 0                  | 227,292                        | 304,016                        |
| Debt Service:                                 |                     |                    |                   |                    |                                |                                |
| Principal Retirement                          | 34,688              | 0                  | 0                 | 399,056            | 0                              | 433,744                        |
| Interest and Fiscal Charges                   | 32                  | 0                  | 0                 | 839,988            | 0                              | 840,020                        |
| Capital Appreciation Bond Accretion           | 0                   | 0                  | 0                 | 1,220,944          | 0                              | 1,220,944                      |
| <b>Total Expenditures</b>                     | <b>10,684,029</b>   | <b>2,398,125</b>   | <b>404,129</b>    | <b>2,492,249</b>   | <b>1,339,341</b>               | <b>17,317,873</b>              |
| Excess of Revenues Over (Under) Expenditures: | 2,238,709           | (90,151)           | (39,742)          | (300,399)          | (123,055)                      | 1,685,362                      |
| <b>Other Financing Sources (Use)</b>          |                     |                    |                   |                    |                                |                                |
| Proceeds from Sale of Capital Assets          | 8,317               | 0                  | 0                 | 0                  | 0                              | 8,317                          |
| Transfers In                                  | 0                   | 176,970            | 0                 | 324,741            | 500,000                        | 1,001,711                      |
| Transfers Out                                 | (1,001,711)         | 0                  | 0                 | 0                  | 0                              | (1,001,711)                    |
| <b>Total Other Financing Sources (Use)</b>    | <b>(993,394)</b>    | <b>176,970</b>     | <b>0</b>          | <b>324,741</b>     | <b>500,000</b>                 | <b>8,317</b>                   |
| Net Change in Fund Balances                   | 1,245,315           | 86,819             | (39,742)          | 24,342             | 376,945                        | 1,693,679                      |
| Fund Balances Beginning of Year               | 9,423,702           | 698,146            | 0                 | 996,393            | 27,037                         | 11,145,278                     |
| Fund Balances End of Year (Deficit)           | <u>\$10,669,017</u> | <u>\$784,965</u>   | <u>(\$39,742)</u> | <u>\$1,020,735</u> | <u>\$403,982</u>               | <u>\$12,838,957</u>            |

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015*

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Net Change in Fund Balances - Total Governmental Funds \$1,693,679

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

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

This is the amount by which depreciation exceeded capital outlay in the current year:

|                           |                    |           |
|---------------------------|--------------------|-----------|
| Capital Assets Additions  | 695,664            |           |
| Current Year Depreciation | <u>(1,160,219)</u> | (464,555) |

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

|                   |                 |         |
|-------------------|-----------------|---------|
| Property Taxes    | (57,351)        |         |
| Interest          | 473             |         |
| Intergovernmental | 1,009,652       |         |
| Tuition and Fees  | <u>(15,990)</u> | 936,784 |

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

|                           |                 |          |
|---------------------------|-----------------|----------|
| Vacation Benefits Payable | (95)            |          |
| Compensated Absences      | <u>(75,767)</u> | (75,862) |

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

|  |            |           |
|--|------------|-----------|
| Premium Amortization                         | 343,655    |           |
| Accretion of the Capital Appreciation Bonds  | (477,633)  |           |
| Capital Appreciation Bonds Matured Accretion | 1,220,944  |           |
| Accrued Interest Payable                     | <u>337</u> | 1,087,303 |

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

|                            |              |         |
|----------------------------|--------------|---------|
| Long-Term Loans            | 33,334       |         |
| General Obligation Bonds   | 170,000      |         |
| Capital Appreciation Bonds | 229,056      |         |
| Capital Leases             | <u>1,354</u> | 433,744 |

The difference between the net carrying amount of the refunded debt and the acquisition price is allocated over the life of the outstanding debt on the statement of activities. 2,009

Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 1,231,474

Except for amounts reported as deferred inflows/outflows, changes in net pension liability are reported as pension expense in the Statement of Activities. (803,818)

Change in Net Position of Governmental Activities \$4,040,758

See accompanying notes to the basic financial statements



**Career and Technology Education Centers of Licking County**

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

*For the Fiscal Year Ended June 30, 2015*

|   | Budgeted Amounts   |                    | Actual              | Variance with                          |
|---|--------------------|--------------------|---------------------|--|
|   | Original           | Final              |                     | Final Budget<br>Positive<br>(Negative) |
| <b>Revenues</b>                             |                    |                    |                     |  |
| Property Taxes                              | \$6,770,605        | \$6,771,182        | \$6,993,053         | \$221,871                              |
| Intergovernmental                           | 5,199,486          | 5,234,628          | 5,448,180           | 213,552                                |
| Interest                                    | 25,000             | 25,000             | 42,323              | 17,323                                 |
| Tuition and Fees                            | 140,860            | 98,499             | 98,499              | 0                                      |
| Charges for Services                        | 15,000             | 13,619             | 13,619              | 0                                      |
| Rent  | 0                  | 1,400              | 1,400               | 0                                      |
| Miscellaneous                               | 37,860             | 46,210             | 47,264              | 1,054                                  |
| <i>Total Revenues</i>                       | <u>12,188,811</u>  | <u>12,190,538</u>  | <u>12,644,338</u>   | <u>453,800</u>                         |
| <b>Expenditures</b>                         |                    |                    |                     |  |
| Current:                                    |                    |                    |                     |  |
| Instruction:                                |                    |                    |                     |  |
| Regular                                     | 77,478             | 77,537             | 77,311              | 226                                    |
| Special                                     | 600,545            | 613,323            | 613,323             | 0                                      |
| Vocational                                  | 5,059,697          | 5,196,131          | 5,071,267           | 124,864                                |
| Support Services:                           |                    |                    |                     |  |
| Pupils                                      | 355,371            | 385,561            | 385,561             | 0                                      |
| Instructional Staff                         | 1,100,808          | 1,179,508          | 1,168,095           | 11,413                                 |
| Board of Education                          | 22,636             | 21,211             | 21,211              | 0                                      |
| Administration                              | 858,409            | 843,742            | 843,658             | 84                                     |
| Fiscal                                      | 448,070            | 415,110            | 414,848             | 262                                    |
| Business                                    | 235,757            | 210,854            | 210,854             | 0                                      |
| Operation and Maintenance of Plant          | 1,800,556          | 1,849,148          | 1,796,968           | 52,180                                 |
| Pupil Transportation                        | 3,920              | 6,903              | 6,903               | 0                                      |
| Central                                     | 30,323             | 25,623             | 25,622              | 1                                      |
| Non-Instructional Services                  | 41,909             | 40,090             | 40,090              | 0                                      |
| Extracurricular Activities                  | 61,430             | 74,355             | 74,355              | 0                                      |
| Debt Service:                               |                    |                    |                     |  |
| Principal Retirement                        | 33,334             | 33,334             | 33,334              | 0                                      |
| <i>Total Expenditures</i>                   | <u>10,730,243</u>  | <u>10,972,430</u>  | <u>10,783,400</u>   | <u>189,030</u>                         |
| <i>Excess of Revenues Over Expenditures</i> | <u>1,458,568</u>   | <u>1,218,108</u>   | <u>1,860,938</u>    | <u>642,830</u>                         |
| <b>Other Financing Sources (Uses)</b>       |                    |                    |                     |  |
| Proceeds from Sale of Fixed Assets          | 1,000              | 1,000              | 1,737               | 737                                    |
| Advances In                                 | 30,000             | 30,000             | 197,948             | 167,948                                |
| Advances Out                                | (30,000)           | (30,000)           | (23,383)            | 6,617                                  |
| Transfers Out                               | (1,000,000)        | (1,057,813)        | (1,004,022)         | 53,791                                 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(999,000)</u>   | <u>(1,056,813)</u> | <u>(827,720)</u>    | <u>229,093</u>                         |
| <i>Net Change in Fund Balance</i>           | 459,568            | 161,295            | 1,033,218           | 871,923                                |
| <i>Fund Balance Beginning of Year</i>       | 8,768,615          | 8,768,615          | 8,768,615           | 0                                      |
| Prior Year Encumbrances Appropriated        | 360,243            | 360,243            | 360,243             | 0                                      |
| <i>Fund Balance End of Year</i>             | <u>\$9,588,426</u> | <u>\$9,290,153</u> | <u>\$10,162,076</u> | <u>\$871,923</u>                       |

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**

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

*Adult Education Fund*

*For the Fiscal Year Ended June 30, 2015*

|  | Budgeted Amounts |                  | Actual           | Variance with                          |
|--|------------------|------------------|------------------|--|
|  | Original         | Final            |                  | Final Budget<br>Positive<br>(Negative) |
| <b>Revenues</b>                              |                  |                  |                  |  |
| Intergovernmental                            | \$349,000        | \$349,000        | \$393,839        | \$44,839                               |
| Tuition and Fees                             | 1,879,150        | 1,720,110        | 1,854,860        | 134,750                                |
| Rent   | 5,000            | 3,570            | 3,570            | 0                                      |
| Charges for Services                         | 0                | 7,631            | 7,631            | 0                                      |
| Miscellaneous                                | 6,700            | 6,700            | 24,793           | 18,093                                 |
| <i>Total Revenues</i>                        | <u>2,239,850</u> | <u>2,087,011</u> | <u>2,284,693</u> | <u>197,682</u>                         |
| <b>Expenditures</b>                          |                  |                  |                  |  |
| Current:                                     |                  |                  |                  |  |
| Instruction:                                 |                  |                  |                  |  |
| Adult/Continuing                             | 2,146,925        | 2,002,583        | 1,993,745        | 8,838                                  |
| Support Services:                            |                  |                  |                  |  |
| Instructional Staff                          | 208,558          | 238,505          | 233,880          | 4,625                                  |
| Administration                               | 112,502          | 116,602          | 116,602          | 0                                      |
| Central                                      | 64,500           | 60,368           | 60,368           | 0                                      |
| Non-Instructional Services                   | 500              | 0                | 0                | 0                                      |
| <i>Total Expenditures</i>                    | <u>2,532,985</u> | <u>2,418,058</u> | <u>2,404,595</u> | <u>13,463</u>                          |
| <i>Excess of Revenues Under Expenditures</i> | <u>(293,135)</u> | <u>(331,047)</u> | <u>(119,902)</u> | <u>211,145</u>                         |
| <b>Other Financing Source (Use)</b>          |                  |                  |                  |  |
| Advances Out                                 | 0                | (177,631)        | (177,631)        | 0                                      |
| Transfers In                                 | 0                | 176,970          | 176,970          | 0                                      |
| <i>Total Other Financing Source (Use)</i>    | <u>0</u>         | <u>(661)</u>     | <u>(661)</u>     | <u>0</u>                               |
| <i>Net Change in Fund Balance</i>            | <u>(293,135)</u> | <u>(331,708)</u> | <u>(120,563)</u> | <u>211,145</u>                         |
| <i>Fund Balance Beginning of Year</i>        | 680,451          | 680,451          | 680,451          | 0                                      |
| Prior Year Encumbrances Appropriated         | 7,689            | 7,689            | 7,689            | 0                                      |
| <i>Fund Balance End of Year</i>              | <u>\$395,005</u> | <u>\$356,432</u> | <u>\$567,577</u> | <u>\$211,145</u>                       |

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**

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

*Straight A Fund*

*For the Fiscal Year Ended June 30, 2015*

|                                       | Budgeted Amounts |                  | Actual               | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|------------------|----------------------|---|
|                                       | Original         | Final            |                      |   |
| <b>Revenues</b>                       |                  |                  |                      |   |
| Intergovernmental                     | \$1,487,144      | \$1,487,144      | \$364,387            | (\$1,122,757)   |
| <i>Total Revenues</i>                 | <u>1,487,144</u> | <u>1,487,144</u> | <u>364,387</u>       | <u>(1,122,757)</u>                                      |
| <b>Expenditures</b>                   |                  |                  |                      |   |
| Current:                              |                  |                  |                      |   |
| Instruction:                          |                  |                  |                      |   |
| Vocational                            | 1,180,794        | 1,180,793        | 1,180,793            | 0   |
| Support Services:                     |                  |                  |                      |   |
| Instructional Staff                   | 56,350           | 56,351           | 56,351               | 0   |
| Capital Outlay                        | 250,000          | 250,000          | 250,000              | 0   |
| <i>Total Expenditures</i>             | <u>1,487,144</u> | <u>1,487,144</u> | <u>1,487,144</u>     | <u>0</u>  |
| <i>Net Change in Fund Balance</i>     | 0                | 0                | (1,122,757)          | (1,122,757)   |
| <i>Fund Balance Beginning of Year</i> | <u>0</u>         | <u>0</u>         | <u>0</u>             | <u>0</u>  |
| <i>Fund Balance End of Year</i>       | <u>\$0</u>       | <u>\$0</u>       | <u>(\$1,122,757)</u> | <u>(\$1,122,757)</u>                                    |

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**

*Statement of Fiduciary Net Position*

*Fiduciary Funds*

*June 30, 2015*

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|                                | Private Purpose<br>Trust |                    |
|--------------------------------|--------------------------|--------------------|
|                                | Scholarship              | Agency             |
| <b>Assets</b>                  |                          |                    |
| Cash and Cash Equivalents      | \$78,071                 | \$2,489,885        |
| <i>Total Assets</i>            | <u>78,071</u>            | <u>\$2,489,885</u> |
| <b>Liabilities</b>             |                          |                    |
| Due to Students                | 0                        | \$75,499           |
| Undistributed Monies           | 0                        | 2,414,386          |
| <i>Total Liabilities</i>       | <u>0</u>                 | <u>\$2,489,885</u> |
| <b>Net Position</b>            |                          |                    |
| Held in Trust for Scholarships | <u>78,071</u>            |                    |
| <i>Total Net Position</i>      | <u>\$78,071</u>          |                    |

See accompanying notes to the basic financial statements

**Career and Technology Education Centers of Licking County**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2015*

|  | Scholarship |
|--|-------------|
| <b>Additions</b>                             |             |
| Interest                                     | \$80        |
| Contributions and Donations                  | 33,824      |
| <i>Total Additions</i>                       | 33,904      |
| <b>Deductions</b>                            |             |
| Payments in Accordance with Trust Agreements | 7,623       |
| <i>Change in Net Position</i>                | 26,281      |
| <i>Net Position Beginning of Year</i>        | 51,790      |
| <i>Net Position End of Year</i>              | \$78,071    |

See accompanying notes to the basic financial statements

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## **Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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

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

C-TEC operates under a seven-member Board of Education and is responsible for the provision of public education to residents of C-TEC. The Board of Education of C-TEC is not directly elected. The Board is made up from members of the elected boards of the participating school districts and the Licking County Educational Service Center. C-TEC is staffed by 9 administrators, 49 non-certificated employees, and 226 certificated full and part-time teaching personnel who provide services to 717 students and other community members. C-TEC currently operates 4 buildings.

#### ***Reporting Entity***

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

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

C-TEC is associated with two jointly governed organizations and two insurance purchasing pools. These organizations are the Licking Area Computer Association, the Metropolitan Educational Technology Association, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Southwestern Ohio Educational Purchasing Council Property, Fleet, and Liability Program, which are presented in Notes 18 and 19 to the basic financial statements.

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

## Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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### **Note 2 - Summary of Significant Accounting Policies**

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

#### ***A. Basis of Presentation***

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

***Government-Wide Financial Statements*** The statement of net position and the statement of activities display information about C-TEC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of C-TEC that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). C-TEC has no business-type activities.

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

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

#### ***B. Fund Accounting***

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

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



## Career and Technology Education Centers of Licking County

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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

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

**Straight A Fund** This fund is used to account for a State grant aimed at improving school educational programs.

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

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

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

### **C. Measurement Focus**

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

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

### **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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified

## Career and Technology Education Centers of Licking County

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflow or resources, and in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

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

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

**Deferred Outflows/Inflows of Resources** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For C-TEC, deferred outflows of resources are reported on the government-wide statement of net position for pension which are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For C-TEC, deferred inflows of resources include deferred charge on refunding, property taxes, unavailable revenue, and pension. Deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For C-TEC, unavailable revenue includes delinquent property taxes, interest earnings, student tuition, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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

## **Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

### ***E. 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.

### ***F. Cash and Cash Equivalents***

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

During fiscal year 2015, C-TEC's investments were limited to nonnegotiable certificates of deposit and federal agency securities.

Except for nonparticipating investment contracts, C-TEC reports investments at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$44,106 which includes \$12,698 assigned from other funds of C-TEC.

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

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

### ***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

### ***H. Inventory***

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

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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***I. Capital Assets***

All capital assets of the Center are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

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

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

***J. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

***K. Compensated Absences***

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

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

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

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

## Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

### ***L. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. See Note 17 for additional information regarding set asides.

### ***M. Accrued Liabilities and Long-Term Liabilities***

All payables, accrued liabilities and long-term liabilities are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, and net pension liability that are paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds, long-term loans, and capital leases are recognized as a liability on the fund financial statements when due.

### ***N. Internal Activity***

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

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

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

### ***O. Fund Balance***

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

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

## Career and Technology Education Centers of Licking County

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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

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

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

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by C-TEC for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by C-TEC Board of Education or by State statute. State statute authorizes C-TEC's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

### ***P. Net Position***

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes includes resources restricted for extracurricular programs and state and federal grants restricted to expenditures for specified purposes.

## **Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

### ***Q. Extraordinary and Special Items***

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

### ***R. Estimates***

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

### ***S. Budgetary Process***

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

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

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

### ***T. Bond Premiums***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium. On the governmental fund financial statements, bond premiums are recorded in the year the bonds are issued.

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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***U. Deferred Charge on Refunding***

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

**Note 3 – Changes in Accounting Principles**

For fiscal year 2015, C-TEC has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions,” and Statement No. 71, “Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.” GASB Statement No. 68 establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

|  |                         |
|--|-------------------------|
| Net Position June 30, 2014                                 | \$20,862,401            |
| Adjustments:   |                         |
| Net Pension Liability                                      | (21,609,246)            |
| Deferred Outflow - Payments Subsequent to Measurement Date | <u>1,119,103</u>        |
| Restated Net Position June 30, 2014                        | <u><u>\$372,258</u></u> |

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

**Note 4 – Accountability**

The following funds had deficit fund balances as of June 30, 2015:

|  | <u>Deficit Fund Balances</u> |
|--|------------------------------|
| <u>Special Revenue Funds:</u>          |                              |
| Straight A                             | (\$39,742)                   |
| Other Grants                           | (9,944)                      |
| Vocational Education Enhancement Grant | (1,968)                      |

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

**NOTE 5 - Budgetary Basis of Accounting**

While C-TEC is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) presented for the general fund and the adult education special revenue fund are presented on the budgetary



**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

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

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

**Net Change in Fund Balances**

|   | <u>General</u>     | <u>Adult<br/>Education</u> | <u>Straight A</u>    |
|---|--------------------|----------------------------|----------------------|
| GAAP Basis  | \$1,245,315        | \$86,819                   | (\$39,742)           |
| Net Adjustment for Revenue Accruals   | (114,898)          | (12,142)                   | 0                    |
| Net Adjustment for Expenditure Accruals   | (23,209)           | (4,617)                    | 522                  |
| Beginning of Fiscal Year:   |                    |                            |                      |
| Segregated Accounts   | 3,806              | 3,040                      | 0                    |
| Prepaid Items   | 46,505             | 11,289                     | 0                    |
| Unrecorded Cash   | 489                | 0                          | 0                    |
| Negative Cash Advances  | (58,144)           | 0                          | 0                    |
| Fair Value Adjustment for Investments   | (135)              | 0                          | 0                    |
| End of Fiscal Year:   |                    |                            |                      |
| Segregated Accounts   | (3,741)            | (14,179)                   | 0                    |
| Prepaid Items   | (41,381)           | (11,246)                   | 0                    |
| Unrecorded Cash   | (433)              | 0                          | 0                    |
| Negative Cash Advances  | 89,137             | 0                          | 0                    |
| Fair Value Adjustment for Investments   | (3,305)            | 0                          | 0                    |
| To reclassify excess of revenues and other sources of<br>financial resources over expenditures and other uses<br>of financial resources into financial statement fund types | (17,885)           | 0                          | 0                    |
| Advances In   | 197,948            | 0                          | 0                    |
| Advances Out  | (23,383)           | (177,631)                  | 0                    |
| Adjustment for Encumbrances   | (263,468)          | (1,896)                    | (1,083,537)          |
| Budget Basis  | <u>\$1,033,218</u> | <u>(\$120,563)</u>         | <u>(\$1,122,757)</u> |

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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**Note 6 – Deposits and Investments**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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**Cash on Hand** At year end, C-TEC had \$4,300 in undeposited cash on hand which is included in the financial statements of C-TEC as part of “Equity in Pooled Cash and Cash Equivalents.”

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, C-TEC will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, C-TEC’s bank balance was \$15,147,783. All of the bank balances were fully insured and collateralized at year-end.

C-TEC has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with C-TEC or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledge to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments** As of June 30, 2015, C-TEC had the following investments.

|                             | <u>Fair Value</u> | <u>Average<br/>Maturity</u> |
|-----------------------------|-------------------|-----------------------------|
| Federal Home Loan Bank Bond | \$496,035         | 11/28/2015                  |

**Interest Rate Risk** C-TEC’s investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which he/she does not reasonably believe can be held until the maturity date. The stated intent of the policy is to avoid the need to sell securities prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of C-TEC, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk** The Federal Home Loan Bank Bond carried a rating by Moody’s of Aaa. C-TEC has no deposit policy for custodial risk beyond the requirements of State statute.

**Concentration of Credit Risk** Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. C-TEC places no limit on the amount it may invest in any one issuer. The following is C-TEC’s allocation as of June 30, 2015:

| <u>Investment Issuer</u>    | <u>Percentage of<br/>Investments</u> |
|-----------------------------|--------------------------------------|
| Federal Home Loan Bank Bond | 100.00                               |

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in C-TEC. Real property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Public utility real property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility personal property currently is assessed at varying percentages of true value.

C-TEC receives property taxes from Licking, Delaware, Fairfield, Franklin, Muskingum, and Knox Counties. The County Auditor from each county periodically advances to C-TEC its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015 are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources for property taxes.

The amount available as an advance at June 30, 2015, was \$838,954, \$660,596 was available to the General Fund and \$178,358 was available to the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2014, was \$737,601, \$576,253 was available to the General Fund and \$161,348 was available to the Bond Retirement Debt Service Fund.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

|  | 2014 Second            |                | 2015 First             |                |
|--|------------------------|----------------|------------------------|----------------|
|  | Half Collections       |                | Half Collections       |                |
|  | Amount                 | Percent        | Amount                 | Percent        |
| Real Estate                                | \$3,768,515,600        | 95.88%         | \$3,868,185,248        | 95.85%         |
| Public Utility Personal                    | 162,061,880            | 4.12%          | 167,587,480            | 4.15%          |
|  | <u>\$3,930,577,480</u> | <u>100.00%</u> | <u>\$4,035,772,728</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation |                        | \$2.56         |                        | \$2.54         |

The decrease in the tax rates was due to an adjustment in the bond levy rates. Tax rates are adjusted according to the amount needed for the retirement of debt service.

**Note 8 - Receivables**

Receivables at June 30, 2015 consisted of property taxes, accounts (billings for user charged services, tuition and fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The delinquent property taxes amounted to \$436,512 as of June 30, 2015.

A summary of the principal items of intergovernmental receivables follows:

|  | <u>Amounts</u>     |
|--|--------------------|
| <b>Governmental Activities</b>                 |                    |
| Straight A Grant                               | \$1,122,758        |
| Carl Perkins - Secondary Grant                 | 74,899             |
| Carl Perkins - Adult Grant                     | 23,078             |
| ABLE Instructional Grant                       | 41,697             |
| Technical Prepration Grant                     | 2,775              |
| EL/ Civics Grant                               | 2,932              |
| Vocational Education Enhancement Grant         | 2,629              |
| Summer Youth Grant and Job and Family Services | 21,152             |
| Miscellaneous Reimbursements                   | 1,315              |
| Total  | <u>\$1,293,235</u> |

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

|  | Balance<br>June 30, 2014 | Additions          | Deletions       | Balance<br>June 30, 2015 |
|--|--------------------------|--------------------|-----------------|--------------------------|
| <b>Nondepreciable Capital Assets</b>                           |                          |                    |                 |                          |
| Land   | \$107,951                | \$0                | \$0             | \$107,951                |
| Construction in Progress                                       | 156,118                  | 183,029            | 0               | 339,147                  |
| Total Capital Assets not being depreciated                     | <u>264,069</u>           | <u>183,029</u>     | <u>0</u>        | <u>447,098</u>           |
| <b>Depreciable Capital Assets</b>                              |                          |                    |                 |                          |
| Land Improvements  | 0                        | 13,467             | 0               | 13,467                   |
| Buildings and Improvements                                     | 39,333,169               | 0                  | 0               | 39,333,169               |
| Furniture and Equipment  | 4,409,363                | 499,168            | (42,046)        | 4,866,485                |
| Vehicles   | 618,776                  | 0                  | 0               | 618,776                  |
| Total at Historical Cost                                       | <u>44,361,308</u>        | <u>512,635</u>     | <u>(42,046)</u> | <u>44,831,897</u>        |
| Less Accumulated Depreciation                                  |                          |                    |                 |                          |
| Land Improvements  | 0                        | (823)              | 0               | (823)                    |
| Buildings and Improvements                                     | (7,086,543)              | (890,914)          | 0               | (7,977,457)              |
| Furniture and Equipment  | (2,193,811)              | (253,943)          | 42,046          | (2,405,708)              |
| Vehicles   | (535,500)                | (14,539)           | 0               | (550,039)                |
| Total Accumulated Depreciation                                 | <u>(9,815,854)</u>       | <u>(1,160,219)</u> | <u>42,046</u>   | <u>(10,934,027)</u>      |
| Depreciable Capital Assets, Net<br>of Accumulated Depreciation | <u>34,545,454</u>        | <u>(647,584)</u>   | <u>0</u>        | <u>33,897,870</u>        |
| Governmental Activities Capital<br>Assets, Net                 | <u>\$34,809,523</u>      | <u>(\$464,555)</u> | <u>\$0</u>      | <u>\$34,344,968</u>      |

Depreciation expense was charged to governmental functions as follows:

|                                    |                    |
|------------------------------------|--------------------|
| Instruction:                       |                    |
| Regular                            | \$141,716          |
| Vocational                         | 487,771            |
| Adult/ Continuing Education        | 140,030            |
| Support Services:                  |                    |
| Pupil                              | 573                |
| Instructional Staff                | 208,993            |
| Board of Education                 | 4,641              |
| Administration                     | 2,493              |
| Fiscal                             | 9,228              |
| Business                           | 104,803            |
| Operation and Maintenance of Plant | 20,524             |
| Pupil Transportation               | 7,204              |
| Central                            | 32,243             |
| Total Depreciation Expense         | <u>\$1,160,219</u> |

## Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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### **Note 10 - Risk Management**

C-TEC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2015, C-TEC contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet, and Liability Program (Note 19) for property, fleet, and liability insurance. Coverages provided are as follows:

|  |              |
|--|--------------|
| Building - Replacement Cost  | \$58,843,066 |
| Blanket Employee Dishonesty (\$5,000 deductible)                                   | 500,000      |
| Forgery (\$5,000 deductible)   | 500,000      |
| Flood (annual aggregate excess of \$1,000,000)                                     | 10,000,000   |
| Automobile Liability   |              |
| Bodily Injury and Property Damage (deductible \$1,000 collision and comprehensive) | 1,000,000    |
| General Liability – Per Occurrence   | 1,000,000    |
| General Liability - Aggregate Per Year   | 3,000,000    |
| Sexual Abuse and Molestation (per occurrence/aggregate per member)                 | 1,000,000    |
| Excess Liability:  |              |
| General, Auto, and School Board Legal Liabilities (per occurrence)                 | 5,000,000    |
| Sexual Abuse and Molestation (limit per member)                                    | 5,000,000    |

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

During fiscal year 2015, C-TEC participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

### **Note 11 - Employee Benefits**

#### ***A. Compensated Absences***

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

## Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 255 days for all employees. Upon retirement or upon separation after ten years of service, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 60 days for all employees. C-TEC also credits one day for every year of experience beyond ten years with C-TEC.

### ***B. Insurance Benefits***

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

### **Note 12 - Defined Benefit Pension Plans**

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

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

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 intergovernmental payable on both the accrual and modified accrual bases of accounting.



**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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

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

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                          | Eligible to<br>Retire on or after<br>August 1, 2017                                  |
|------------------------------|---|--|
| Full Benefits                | Any age with 30 years of service credit   | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and C-TEC is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

C-TEC’s contractually required contribution to SERS was \$407,276 for fiscal year 2015. Of this amount \$2,194 is reported as an intergovernmental payable.

## **Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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

Plan Description – C-TEC licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee 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](http://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.

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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, 2015, plan members were required to contribute 12 percent of their annual covered salary. C-TEC was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

C-TEC’s contractually required contribution to STRS was \$824,198 for fiscal year 2015. Of this amount \$76,241 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. C-TEC's proportion of the net pension liability was based on C-TEC's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

|  | <u>SERS</u> | <u>STRS</u>  | <u>Total</u> |
|--|-------------|--------------|--------------|
| Proportionate Share of the Net Pension Liability | \$5,044,950 | \$13,164,409 | \$18,209,359 |
| Proportion of the Net Pension Liability          | 0.099684%   | 0.05412227%  |              |
| Pension Expense                                  | \$293,151   | \$510,667    | \$803,818    |

At June 30, 2015, C-TEC 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>              |
|--|-------------------------|---------------------------|---------------------------|
| <b>Deferred Outflows of Resources</b>  |                         |                           |                           |
| Differences between expected and actual experience                               | \$42,938                | \$126,736                 | \$169,674                 |
| School District contributions subsequent to the measurement date                 | <u>407,276</u>          | <u>824,198</u>            | <u>1,231,474</u>          |
| Total Deferred Outflows of Resources   | <u><u>\$450,214</u></u> | <u><u>\$950,934</u></u>   | <u><u>\$1,401,148</u></u> |
| <b>Deferred Inflows of Resources</b>   |                         |                           |                           |
| Net difference between projected and actual earnings on pension plan investments | <u><u>\$818,810</u></u> | <u><u>\$2,435,466</u></u> | <u><u>\$3,254,276</u></u> |

\$1,231,474 reported as deferred outflows of resources related to pension resulting from C-TEC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

|                             | <u>SERS</u>               | <u>STRS</u>                 | <u>Total</u>                |
|-----------------------------|---------------------------|-----------------------------|-----------------------------|
| Fiscal Year Ending June 30: |                           |                             |                             |
| 2016                        | (\$193,860)               | (\$577,182)                 | (\$771,042)                 |
| 2017                        | (193,860)                 | (577,182)                   | (771,042)                   |
| 2018                        | (193,860)                 | (577,182)                   | (771,042)                   |
| 2019                        | <u>(194,292)</u>          | <u>(577,184)</u>            | <u>(771,476)</u>            |
| Total                       | <u><u>(\$775,872)</u></u> | <u><u>(\$2,308,730)</u></u> | <u><u>(\$3,084,602)</u></u> |

***Actuarial Assumptions - SERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that 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, 2014, are presented below:

|  |  |
|--|--|
| Wage Inflation                               | 3.25 percent   |
| Future Salary Increases, including inflation | 4.00 percent to 22 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   |

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.

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating 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>100.00 %</u>          |   |

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of C-TEC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 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.

|  | <u>1% Decrease<br/>(6.75%)</u> | <u>Current<br/>Discount Rate<br/>(7.75%)</u> | <u>1% Increase<br/>(8.75%)</u> |
|--|--------------------------------|--|--------------------------------|
| School District's proportionate share of the net pension liability | \$7,197,645                    | \$5,044,950                                  | \$3,234,348                    |

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, 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, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. 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, 2014.

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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

The following table presents C-TEC's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what C-TEC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

|   | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share<br>of the net pension liability | \$18,846,287           | \$13,164,409                        | \$8,359,453            |

**Note 13 - Postemployment Benefits**

***A. School Employees Retirement System***

Health Care Plan Description – C-TEC contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 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](http://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, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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 2015, C-TEC’s surcharge obligation was \$53,305.

C-TEC’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were \$48,107, \$26,046, and \$15,553, respectively. For fiscal year 2015, 83.21 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

## **Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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### ***B. State Teachers Retirement System***

Plan Description – C-TEC 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](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio 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 year 2015, STRS did not allocate any employer contributions to post-employment health care. C-TEC's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$58,565, and \$58,810 respectively. The full amount has been contributed for fiscal years 2014 and 2013.

### **Note 14 – Capital Lease**

In a previous fiscal year, C-TEC entered into a capitalized lease for a mailing machine. The lease meets the criteria of a capital lease which is defined as a lease which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds. The lease was originally capitalized in the amount of \$11,396. This amount represents the present value of the minimum lease payments at the time of acquisition. The lease was paid in full during fiscal year 2015. Principal payments in fiscal year 2015 totaled \$1,354 in the governmental funds.



**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

**Note 15 – Long-Term Obligations**

The change in C-TEC’s long-term obligations during fiscal year 2015 are as follows:

|  | Principal<br>Outstanding<br>6/30/2014 | Additions        | Deductions         | Principal<br>Outstanding<br>6/30/2015 | Due in<br>One Year |
|--|---------------------------------------|------------------|--------------------|---------------------------------------|--------------------|
| Long-Term Bonds:                                       |                                       |                  |                    |                                       |                    |
| Construction and Equipment<br>Long-Term Loan 0%        | \$166,667                             | \$0              | \$33,334           | \$133,333                             | \$33,333           |
| School Facilities Improvement<br>Refunding Bonds 2010  |                                       |                  |                    |                                       |                    |
| Current Interest Serial<br>Bonds 2.0%-4.0%             | 15,300,000                            | 0                | 0                  | 15,300,000                            | 750,000            |
| Capital Appreciation<br>Bonds 2.38%-2.858%             | 309,991                               | 0                | 229,056            | 80,935                                | 80,935             |
| Capital Appreciation<br>Bond Accretion                 | 1,290,232                             | 477,633          | 1,220,944          | 546,921                               | 546,921            |
| Bond Premium on Current<br>Interest Serial Bonds       | 502,762                               | 0                | 55,863             | 446,899                               | 0                  |
| Bond Premium on Capital<br>Appreciation Bonds          | 551,913                               | 0                | 275,957            | 275,956                               | 0                  |
| Various Purpose Bonds 2010B Series<br>Facilities Bonds |                                       |                  |                    |                                       |                    |
| Serial Bonds - 2.0%-4.0%                               | 1,170,000                             | 0                | 140,000            | 1,030,000                             | 155,000            |
| Term Bonds - 4.0%-4.125%                               | 2,305,000                             | 0                | 0                  | 2,305,000                             | 0                  |
| Bond Premium   | 32,809                                | 0                | 1,930              | 30,879                                | 0                  |
| Judgement Bonds  |                                       |                  |                    |                                       |                    |
| Serial Bonds - 2.0%-4.0%                               | 225,000                               | 0                | 30,000             | 195,000                               | 30,000             |
| Term Bonds - 4.0%-4.125%                               | 415,000                               | 0                | 0                  | 415,000                               | 0                  |
| Bond Premium   | 7,078                                 | 0                | 416                | 6,662                                 | 0                  |
| School Facilities Improvement<br>Refunding Bonds 2013  |                                       |                  |                    |                                       |                    |
| Serial Bonds 3.125%                                    | 2,840,000                             | 0                | 0                  | 2,840,000                             | 0                  |
| Bond Premium   | 90,140                                | 0                | 9,489              | 80,651                                | 0                  |
| <b>Total Long-Term Bonds</b>                           | <b>25,206,592</b>                     | <b>477,633</b>   | <b>1,996,989</b>   | <b>23,687,236</b>                     | <b>1,596,189</b>   |
| Net Pension Liability:                                 |                                       |                  |                    |                                       |                    |
| SERS   | 5,927,888                             | 0                | 882,938            | 5,044,950                             | 0                  |
| STRS   | 15,681,358                            | 0                | 2,516,949          | 13,164,409                            | 0                  |
| <b>Total Net Pension Liability</b>                     | <b>21,609,246</b>                     | <b>0</b>         | <b>3,399,887</b>   | <b>18,209,359</b>                     | <b>0</b>           |
| Capital Leases   | 1,354                                 | 0                | 1,354              | 0                                     | 0                  |
| Compensated Absences Payable                           | 514,261                               | 101,764          | 25,997             | 590,028                               | 17,143             |
| <b>Total General Long-Term<br/>Obligations</b>         | <b>\$47,331,453</b>                   | <b>\$579,397</b> | <b>\$5,424,227</b> | <b>\$42,486,623</b>                   | <b>\$1,613,332</b> |

## Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

Principal and interest requirements to retire the Construction and Equipment Long-Term Loan outstanding at June 30, 2015 are as follows:

| Fiscal Year<br>Ending June 30, | Principal        |
|--------------------------------|------------------|
| 2016                           | \$33,333         |
| 2017                           | 33,333           |
| 2018                           | 33,333           |
| 2019                           | 33,334           |
| Total                          | <u>\$133,333</u> |

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

On May 20, 2010, C-TEC issued \$17,954,991 of School Facilities Improvement Refunding Bonds that were issued to partially refund the 2002 School Facilities Improvement General Obligation Bonds. The bonds were issued for a thirteen year period with a final maturity at December 1, 2022. The \$17,954,991 bond issue consists of current interest serial bonds of \$17,645,000 and \$309,991 in capital appreciation bonds. The \$17,954,991 School Facilities Improvement Refunding General Obligation Bonds were issued at a premium in the amount of \$726,214 for the current interest serial bonds and \$1,655,741 for the capital appreciation bonds. Issuance costs were in the amount of \$239,273. The partial advance refunding resulted in a difference between the net carrying amount of the debt and the acquisition price, in the amount of \$1,782,333. This difference was reported as deferred outflows of resources – deferred charge on refunding and was amortized to interest expense over the life of the bonds using the straight-line method. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$585,072. The issuance resulted in a total economic gain of \$497,653. On December 1, 2012, the refunded 2002 School Facilities Improvement General Obligation Bonds were called and paid in full.

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

Principal and interest requirements to the 2010 School Facilities Improvement Refunding Bonds outstanding at June 30, 2015 are as follows:

| Fiscal<br>Year<br>Ending<br>June 30, | Current Interest Serial Bonds |                    | Capital Appreciation Bonds |                  | Total               |                        |
|--------------------------------------|-------------------------------|--------------------|----------------------------|------------------|---------------------|------------------------|
|                                      | Principal                     | Interest           | Principal                  | Accretion        | Principal           | Interest/<br>Accretion |
| 2016                                 | \$750,000                     | \$585,175          | \$80,935                   | \$689,065        | \$830,935           | \$1,274,240            |
| 2017                                 | 1,615,000                     | 545,663            | 0                          | 0                | 1,615,000           | 545,663                |
| 2018                                 | 1,750,000                     | 482,400            | 0                          | 0                | 1,750,000           | 482,400                |
| 2019                                 | 1,900,000                     | 409,400            | 0                          | 0                | 1,900,000           | 409,400                |
| 2020                                 | 2,060,000                     | 330,200            | 0                          | 0                | 2,060,000           | 330,200                |
| 2021-2023                            | 7,225,000                     | 448,300            | 0                          | 0                | 7,225,000           | 448,300                |
| Total                                | <u>\$15,300,000</u>           | <u>\$2,801,138</u> | <u>\$80,935</u>            | <u>\$689,065</u> | <u>\$15,380,935</u> | <u>\$3,490,203</u>     |

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

On November 20, 2013, C-TEC issued \$2,840,000 of School Facilities Improvement Refunding Bonds that were issued to partially refund the 2002 School Facilities Improvement General Obligation Bonds. The bonds were issued for a ten year period with a final maturity at December 1, 2023. The \$2,840,000 bond issue consists of serial bonds. The \$2,840,000 School Facilities Improvement Refunding General Obligation Bonds were issued at a premium in the amount of \$94,884. Issuance costs were in the amount of \$90,910. The advance refunding resulted in a difference between the net carrying amount of the debt and the acquisition price, in the amount of (\$20,083). This difference is being reported in the accompanying financial statements as deferred inflows of resources – deferred charge on refunding and is being amortized to interest expense over the life of the bonds using the straight-line method. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$458,788. The issuance resulted in a total economic gain of \$403,804. On December 2, 2013, the refunded 2002 School Facilities Improvement General Obligation Bonds were called and paid in full.

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

Principal and interest requirements to retire the remaining bonds of the 2002 School Facilities Improvement General Obligation Bonds outstanding at June 30, 2015 are as follows:

| Fiscal Year<br>Ending June 30, | Principal          | Interest         |
|--------------------------------|--------------------|------------------|
| 2016                           | \$0                | \$88,750         |
| 2017                           | 0                  | 88,750           |
| 2018                           | 0                  | 88,750           |
| 2019                           | 0                  | 88,750           |
| 2020                           | 0                  | 88,750           |
| 2021-2024                      | 2,840,000          | 310,625          |
| Total                          | <u>\$2,840,000</u> | <u>\$754,375</u> |

*2010 Various Purpose Bonds* - On June 7, 2010, C-TEC issued \$4,345,000 in Various Purpose Bonds. A portion of the various purpose bonds in the amount of \$3,655,000 in facilities bonds were issued for the purpose of retiring the \$3,400,000 in bond anticipation notes which matured on September 2, 2010. The bond anticipation notes were issued for the purpose of constructing additions to and renovating and improving existing buildings and facilities, including health and safety upgrades and improving access for the disabled. The proceeds from the sale of these bonds were recorded in the Bond Retirement Debt Service Fund. Of the \$3,655,000 facilities bond issuance, \$1,350,000 was serial bonds and \$2,305,000 was term bonds. The \$3,655,000 facilities bonds were issued at a premium of \$40,529. Issuance costs related to the facilities bonds were \$109,406. The second portion of the various purpose bonds were for \$690,000 in judgment bonds issued for the purpose of paying a \$500,000 judgment settlement to Claggett and Sons, Inc. and the associated legal fees. \$661,911 of the proceeds from the sale of these bonds were recorded in the Building Capital Projects Fund and \$23,089 were deposited in the Bond Retirement Debt Service Fund for a total of \$690,000. Of the \$690,000 judgment bond issuance, \$275,000 were serial bonds and \$415,000 were term bonds. The \$690,000 in judgment bonds were issued at a premium in the amount of \$8,742. Issuance costs associated with the issuance of the judgment bonds were \$20,654.

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

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

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

Principal and interest requirements to retire the 2010 Various Purpose Bonds outstanding at June 30, 2015 are as follows:

| Fiscal<br>Year Ending<br>June 30, | Facilities Bonds   |                    | Judgment Bonds   |                  | Totals             |                    |
|-----------------------------------|--------------------|--------------------|------------------|------------------|--------------------|--------------------|
|                                   | Principal          | Interest           | Principal        | Interest         | Principal          | Interest           |
| 2016                              | \$155,000          | \$126,793          | \$30,000         | \$23,119         | \$185,000          | \$149,912          |
| 2017                              | 170,000            | 121,919            | 30,000           | 22,219           | 200,000            | 144,138            |
| 2018                              | 170,000            | 116,394            | 30,000           | 21,244           | 200,000            | 137,638            |
| 2019                              | 170,000            | 110,444            | 35,000           | 20,106           | 205,000            | 130,550            |
| 2020                              | 180,000            | 103,869            | 35,000           | 18,794           | 215,000            | 122,663            |
| 2021-2025                         | 990,000            | 405,144            | 190,000          | 72,070           | 1,180,000          | 477,214            |
| 2026-2030                         | 1,230,000          | 184,379            | 235,000          | 29,539           | 1,465,000          | 213,918            |
| 2031                              | 270,000            | 5,569              | 25,000           | 516              | 295,000            | 6,085              |
| Total                             | <u>\$3,335,000</u> | <u>\$1,174,511</u> | <u>\$610,000</u> | <u>\$207,607</u> | <u>\$3,945,000</u> | <u>\$1,382,118</u> |

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

The School District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 15.

C-TEC's overall legal debt margin was \$341,941,013 with an unvoted debt margin of \$4,035,773 at June 30, 2015.

**Note 16 - Interfund Activity**

Interfund balances at June 30, 2015, consist of the following individual fund receivables and payables:

|   | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|---|---------------------------------|------------------------------|
| Major Funds:                            |                                 |                              |
| General Fund                            | \$121,218                       | \$3,038                      |
| Straight A Fund                         | 0                               | 39,220                       |
| Total Major Fund                        | <u>121,218</u>                  | <u>42,258</u>                |
| Other Nonmajor Governmental Funds:      |                                 |                              |
| Other Grants                            | 0                               | 23,383                       |
| Vocational Education Enhancement        | 0                               | 1,968                        |
| ABLE Adult Basic Education              | 0                               | 13,740                       |
| Carl Perkins Vocational Education       | 5,006                           | 43,675                       |
| Drug Free Grant                         | 0                               | 0                            |
| Miscellaneous Federal Grants            | 0                               | 1,200                        |
| Total Other Nonmajor Governmental Funds | <u>5,006</u>                    | <u>83,966</u>                |
| Total All Funds                         | <u>\$126,224</u>                | <u>\$126,224</u>             |

**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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

C-Tec transferred \$176,970 from the General Fund to the Adult Education Special Revenue Fund for reimbursement of expenditures paid from the Adult Education Special Revenue Fund. C-TEC also transferred \$324,741 from the General Fund to the Bond Retirement Debt Service Fund for bond retirement payments related to the judgment bonds which were issued as a result of a the past lawsuit. C-TEC also transferred \$500,000 to the Permanent Improvement Capital Projects Fund for various future improvement projects to buildings and grounds.

**Note 17 - Statutory Set-Asides**

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

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

|  | <u>Capital<br/>Acquisition</u> |
|--|--------------------------------|
| Set-aside Reserve Balance as of June 30, 2014            | \$0                            |
| Current Year Set-Aside Requirement                       | 113,904                        |
| Current Year Qualifying Disbursements                    | (691,959)                      |
| Excess Qualified Expenditures from Prior Years           | <u>0</u>                       |
| Total  | <u><u>(\$578,055)</u></u>      |
| Balance Carried Forward<br>to Future Fiscal Years        | <u><u>\$0</u></u>              |
| Cash Balances to Carry<br>Forward to Future Fiscal Years | <u><u>\$0</u></u>              |

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

## **Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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### **Note 18 – Jointly Governed Organizations**

#### ***A. Licking Area Computer Association***

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

The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. C-TEC's total payments to LACA for fiscal year 2015 were \$54,260. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 150 South Quentin Road, Newark, OH 43055.

#### ***B. Metropolitan Educational Technology Association***

C-TEC participates in the Metropolitan Educational Technology Association (META), a jointly governed organization created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. C-TEC paid \$31,800 to META during fiscal year 2015 for services. Financial information can be obtained from Scott Armstrong, CFO, 100 Executive Drive, Marion, Ohio 43302.

### **Note 19 - Insurance Purchasing Pools**

#### ***A. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan***

Beginning on January 1, 2012, C-TEC participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. During fiscal year 2015, C-TEC paid \$1,354 for membership dues.

**Career and Technology Education Centers of Licking County**

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***B. Southwestern Ohio Educational Purchasing Council Property, Fleet, and Liability Program***

C-TEC participates in the Southwestern Ohio Educational Purchasing Council Property, Fleet, and Liability Program (Council). The Council's business and affairs are conducted by a six member committee consisting of various Council representatives that are elected by the general assembly. The purpose of the Council is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage, and other protections for participants. During fiscal year 2015, C-TEC paid \$43,945 to the Council for insurance coverage.

**Note 20 - Contingencies**

***A. Grants***

C-TEC received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of C-TEC at June 30, 2015, if applicable, cannot be determined at this time.

***B. Litigation***

C-TEC is currently not party to any litigation.

***C. School Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, 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, 2015 foundation funding for the School District, therefore, any financial 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 School District.

**Note 21 – Significant Commitments**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

|                             |                           |
|-----------------------------|---------------------------|
| Governmental Funds:         |                           |
| General Fund                | \$263,468                 |
| Adult Education Fund        | 1,896                     |
| Straight A Fund             | 1,083,537                 |
| Nonmajor Governmental Funds | 58,378                    |
| Total Governmental Funds    | <u><u>\$1,407,279</u></u> |



**Career and Technology Education Centers of Licking County**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

**Note 22 – Fund Balances**

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

| Fund Balances                       | General             | Adult<br>Education | Straight A        | Bond<br>Retirement | Other<br>Governmental<br>Funds | Total               |
|-------------------------------------|---------------------|--------------------|-------------------|--------------------|--------------------------------|---------------------|
| <u>Nonspendable:</u>                |                     |                    |                   |                    |                                |                     |
| Prepays                             | \$41,381            | \$11,246           | \$0               | \$0                | \$5,952                        | \$58,579            |
| Unclaimed Monies                    | 8,488               | 0                  | 0                 | 0                  | 0                              | 8,488               |
| Materials and Supplies<br>Inventory | 0                   | 0                  | 0                 | 0                  | 92                             | 92                  |
| <i>Total Nonspendable</i>           | <u>49,869</u>       | <u>11,246</u>      | <u>0</u>          | <u>0</u>           | <u>6,044</u>                   | <u>67,159</u>       |
| <u>Restricted for:</u>              |                     |                    |                   |                    |                                |                     |
| Adult Education                     | 0                   | 773,719            | 0                 | 0                  | 9,560                          | 783,279             |
| Food Service Operations             | 0                   | 0                  | 0                 | 0                  | 71,606                         | 71,606              |
| Department Clubs                    | 0                   | 0                  | 0                 | 0                  | 27,932                         | 27,932              |
| Vocational Education                | 0                   | 0                  | 0                 | 0                  | 24,829                         | 24,829              |
| Reducing Class Size                 | 0                   | 0                  | 0                 | 0                  | 814                            | 814                 |
| Debt Service Payments               | 0                   | 0                  | 0                 | 1,020,735          | 0                              | 1,020,735           |
| <i>Total Restricted</i>             | <u>0</u>            | <u>773,719</u>     | <u>0</u>          | <u>1,020,735</u>   | <u>134,741</u>                 | <u>1,929,195</u>    |
| <u>Committed to:</u>                |                     |                    |                   |                    |                                |                     |
| Scholarships                        | 0                   | 0                  | 0                 | 0                  | 1,686                          | 1,686               |
| Permanent Improvements              | 0                   | 0                  | 0                 | 0                  | 273,423                        | 273,423             |
| Purchases on Order                  | 15,500              | 0                  | 0                 | 0                  | 0                              | 15,500              |
| <i>Total Committed</i>              | <u>15,500</u>       | <u>0</u>           | <u>0</u>          | <u>0</u>           | <u>275,109</u>                 | <u>290,609</u>      |
| <u>Assigned to:</u>                 |                     |                    |                   |                    |                                |                     |
| Public School Support               | 18,957              | 0                  | 0                 | 0                  | 0                              | 18,957              |
| Purchases on Order                  | 189,628             | 0                  | 0                 | 0                  | 0                              | 189,628             |
| <i>Total Assigned</i>               | <u>208,585</u>      | <u>0</u>           | <u>0</u>          | <u>0</u>           | <u>0</u>                       | <u>208,585</u>      |
| Unassigned:                         | 10,395,063          | 0                  | (39,742)          | 0                  | (11,912)                       | 10,343,409          |
| <i>Total Fund Balances</i>          | <u>\$10,669,017</u> | <u>\$784,965</u>   | <u>(\$39,742)</u> | <u>\$1,020,735</u> | <u>\$403,982</u>               | <u>\$12,838,957</u> |

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

|  | 2014        | 2013        |
|--|-------------|-------------|
| School District's Proportion of the Net Pension Liability  | 0.099684%   | 0.099684%   |
| School District's Proportionate Share of the Net Pension Liability   | \$5,044,950 | \$5,927,888 |
| School District's Covered-Employee Payroll   | \$2,887,569 | \$2,781,947 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 174.71%     | 213.08%     |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability   | 71.70%      | 65.52%      |

(1) Information prior to 2013 is not available.

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

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

|  | 2014         | 2013         |
|--|--------------|--------------|
| School District's Proportion of the Net Pension Liability  | 0.05412227%  | 0.05412227%  |
| School District's Proportionate Share of the Net Pension Liability   | \$13,164,409 | \$15,681,358 |
| School District's Covered-Employee Payroll   | \$5,529,893  | \$5,952,454  |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 238.06%      | 263.44%      |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability   | 74.70%       | 69.30%       |

(1) Information prior to 2013 is not available.

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

**Career and Technology Education Centers of Licking County, Ohio**

*Required Supplementary Information  
Schedule of the School District Contributions  
School Employees Retirement System of Ohio  
Last Ten Fiscal Years*

|   | 2015             | 2014             | 2013             | (3)<br>2012      |
|---|------------------|------------------|------------------|------------------|
| Contractually Required Contribution                                     | \$407,276        | \$400,217        | \$385,021        | \$361,836        |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>(407,276)</u> | <u>(400,217)</u> | <u>(385,021)</u> | <u>(361,836)</u> |
| Contribution Deficiency (Excess)  | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| School District Covered-Employee Payroll                                | \$3,090,108      | \$2,887,569      | \$2,781,947      | \$2,690,228      |
| Contributions as a Percentage of<br>Covered-Employee Payroll            | 13.18%           | 13.86%           | 13.84%           | 13.45%           |

- (1) C-TEC implemented furlough days
- (2) C-TEC implemented a reduction in force program
- (3) C-TEC added two steps back to employee wages

| <u>(2)</u><br><u>2011</u> | <u>(1)</u><br><u>2010</u> | <u>2009</u>      | <u>2008</u>      | <u>2007</u>      | <u>2006</u>      |
|---------------------------|---------------------------|------------------|------------------|------------------|------------------|
| \$307,334                 | \$369,478                 | \$288,231        | \$290,320        | \$296,033        | \$271,590        |
| <u>(307,334)</u>          | <u>(369,478)</u>          | <u>(288,231)</u> | <u>(290,320)</u> | <u>(296,033)</u> | <u>(271,590)</u> |
| <u>\$0</u>                | <u>\$0</u>                | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| \$2,444,979               | \$2,728,789               | \$2,929,177      | \$2,956,413      | \$2,771,843      | \$2,567,012      |
| 12.57%                    | 13.54%                    | 9.84%            | 9.82%            | 10.68%           | 10.58%           |

**Career and Technology Education Centers of Licking County, Ohio**

*Required Supplementary Information  
Schedule of the School District Contributions  
State Teachers Retirement System of Ohio  
Last Ten Fiscal Years*

|   | 2015             | 2014             | 2013             | (2)<br>2012      |
|---|------------------|------------------|------------------|------------------|
| Contractually Required Contribution                                     | \$824,198        | \$718,886        | \$773,819        | \$756,611        |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>(824,198)</u> | <u>(718,886)</u> | <u>(773,819)</u> | <u>(756,611)</u> |
| Contribution Deficiency (Excess)  | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| School District Covered-Employee Payroll                                | \$5,887,129      | \$5,529,893      | \$5,952,454      | \$5,820,085      |
| Contributions as a Percentage of<br>Covered-Employee Payroll            | 14.00%           | 13.00%           | 13.00%           | 13.00%           |

(1) Reduction in force

(2) Reduction in force round two

| <u>(1)</u><br><u>2011</u> | <u>2010</u>      | <u>2009</u>      | <u>2008</u>      | <u>2007</u>      | <u>2006</u>      |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
| \$802,657                 | \$860,421        | \$854,509        | \$814,585        | \$777,922        | \$730,059        |
| <u>(802,657)</u>          | <u>(860,421)</u> | <u>(854,509)</u> | <u>(814,585)</u> | <u>(777,922)</u> | <u>(730,059)</u> |
| <u>\$0</u>                | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| \$6,174,285               | \$6,618,624      | \$6,573,149      | \$6,266,040      | \$5,984,018      | \$5,615,840      |
| 13.00%                    | 13.00%           | 13.00%           | 13.00%           | 13.00%           | 13.00%           |

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**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2015**

| <b>FEDERAL GRANTOR</b><br><i>Pass Through Grantor</i><br>Program Title                       | Federal<br>CFDA<br>Number | Receipts                   | Disbursements              |
|--|---------------------------|----------------------------|----------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b><br><i>Passed Through Ohio Department of Education:</i> |                           |                            |                            |
| Child Nutrition Cluster:   |                           |                            |                            |
| Non-Cash Assistance (Food Distribution):   |                           |                            |                            |
| National School Lunch Program  | 10.555                    | \$ 6,891                   | \$ 6,891                   |
| Cash Assistance:   |                           |                            |                            |
| National School Breakfast Program  | 10.553                    | 15,177                     | 15,177                     |
| National School Lunch Program  | 10.555                    | 102,485                    | 102,485                    |
| Total Child Nutrition Cluster  |                           | <u>124,553</u>             | <u>124,553</u>             |
| Team Nutrition Grant   | 10.574                    | -                          | 1,200                      |
| Total U.S. Department of Agriculture   |                           | <u>124,553</u>             | <u>125,753</u>             |
| <b>U.S. DEPARTMENT OF EDUCATION</b>  |                           |                            |                            |
| Federal Pell Grant Program   | 84.063                    | 427,831                    | 427,831                    |
| Federal Direct Student Loans   | 84.268                    | 544,513                    | 548,133                    |
| Total Student Financial Assistance Cluster   |                           | <u>972,344</u>             | <u>975,964</u>             |
| <i>Passed Through Ohio Department of Education:</i>  |                           |                            |                            |
| Adult Education-State Grant Program  | 84.002                    | 188,235                    | 179,244                    |
| Career and Technical Education- Basic Grants to States                                       | 84.048                    | 537,725                    | 540,114                    |
| Improving Teacher Quality - State Grants   | 84.367                    | 4,815                      | 2,112                      |
| Total U.S. Department of Education   |                           | <u>1,703,119</u>           | <u>1,697,434</u>           |
| <b>Total Federal Receipts and Expenditures</b>   |                           | <u><u>\$ 1,827,672</u></u> | <u><u>\$ 1,823,187</u></u> |

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

**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Career and Technology Education Centers' (the Center's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Career and Technology Education Centers, Licking County, Ohio, (the Center) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 4, 2015, wherein we noted the Center adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the 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 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 Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

As part of reasonably assuring whether the 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 Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 4, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Career and Technology Education Centers' (the Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Career and Technology Education Centers' major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Center's major federal program.

### ***Management's Responsibility***

The Center's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Center's compliance for the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 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 Center's major program. However, our audit does not provide a legal determination of the Center's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Career and Technology Education Centers complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506  
Phone: 614-466-3402 or 800-443-9275

[www.ohioauditor.gov](http://www.ohioauditor.gov)

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

The 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 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 OMB Circular A-133, 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 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 OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 4, 2015

**CAREER AND TECHNOLOGY EDUCATION CENTERS  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unmodified   |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>                  | No   |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No   |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weaknesses reported for major federal programs?</b>                       | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unmodified   |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510(a)?</b>   | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Student Financial Assistance Cluster – CFDA# 84.063 and 84.268 |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others                     |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | Yes  |

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**CAREER AND TECHNOLOGY EDUCATION CENTER**

**LICKING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 29, 2015**