

**FOUR COUNTY  
CAREER CENTER  
HENRY COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2016**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

Board of Education  
Four County Career Center  
22900 State Route 34  
Archbold, Ohio 43502

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

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

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

Dave Yost  
Auditor of State

March 21, 2017

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**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
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**INDEPENDENT AUDITOR'S REPORT**

To the Members of Board of Education  
Four County Career Center  
Archbold, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Four County Career Center, Henry County, Ohio, (the Center) as of and for the year ended June 30, 2016, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, on our consideration of the Four County Career Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Four County Career Center's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 8, 2016



**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

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

**Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- The Center's net position of governmental activities increased \$25,390 which represents a 0.27% increase from 2015.
- Governmental activities' general revenues accounted for \$12,287,448 in revenue or 69.18% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,474,743 in revenue or 30.82% of total revenues of \$17,762,191.
- The Center had \$17,736,801 in expenses related to governmental activities; only \$5,474,743 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,287,448 were adequate to provide for these programs.
- The Center's major governmental funds are the general fund and adult education fund. The general fund had \$16,998,696 in revenues and other financing sources and \$15,460,438 in expenditures. The general fund's fund balance increased \$1,538,258 from \$4,932,684 to \$6,470,942.
- The adult education fund had \$826,317 in revenues and \$900,812 in expenditures. The adult education fund's fund balance decreased \$74,495 from \$333,201 to \$258,706.

**Using the Basic Financial Statements (BFS)**

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

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

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

**Reporting the Center as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did the Center do financially during fiscal year 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The Center's statement of net position and statement of activities can be found on pages 16-17 of this report.

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

*Fund Financial Statements*

The analysis of the Center's major governmental funds begins on page 11. Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's major governmental funds are the general fund and adult education fund

*Governmental Funds*

Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 18-23 of this report.

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

**Reporting the Center's Fiduciary Responsibilities**

The Center acts in a trustee capacity as an agent for individuals, private organizations, other governmental units, and/or other funds. These activities are reported in agency funds. All of the Center's fiduciary activities are reported in separate statements of fiduciary assets and liabilities on page 24. These activities are excluded from the Center's other financial statements because the assets cannot be utilized by the Center to finance its operations.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-59 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Center's net pension liability. The required supplementary information can be found on pages 60-66 of this report.

**The Center as a Whole**

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

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**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

**Net Position**

|  | Governmental<br>Activities<br>2016 | Governmental<br>Activities<br>2015 |
|--|------------------------------------|------------------------------------|
| <b><u>Assets</u></b>                         |                                    |                                    |
| Current and other assets                     | \$ 15,654,005                      | \$ 15,614,629                      |
| Capital assets, net                          | <u>12,412,244</u>                  | <u>12,695,020</u>                  |
| Total assets                                 | <u>28,066,249</u>                  | <u>28,309,649</u>                  |
| <b><u>Deferred outflows of resources</u></b> |                                    |                                    |
| Pensions                                     | <u>2,492,213</u>                   | <u>1,594,073</u>                   |
| Total deferred outflows of resources         | <u>2,492,213</u>                   | <u>1,594,073</u>                   |
| <b><u>Liabilities</u></b>                    |                                    |                                    |
| Current liabilities                          | 2,218,987                          | 2,151,770                          |
| Long-term liabilities:                       |                                    |                                    |
| Due within one year                          | 517,930                            | 534,962                            |
| Due in more than one year:                   |                                    |                                    |
| Net pension liability                        | 24,889,865                         | 22,302,264                         |
| Other amounts                                | <u>4,076,950</u>                   | <u>4,370,801</u>                   |
| Total liabilities                            | <u>31,703,732</u>                  | <u>29,359,797</u>                  |
| <b><u>Deferred inflows of resources</u></b>  |                                    |                                    |
| Property taxes levied for next fiscal year   | 6,113,394                          | 5,846,219                          |
| Pensions                                     | <u>2,063,109</u>                   | <u>4,044,869</u>                   |
| Total deferred inflows of resources          | <u>8,176,503</u>                   | <u>9,891,088</u>                   |
| <b><u>Net position</u></b>                   |                                    |                                    |
| Net investment in capital assets             | 8,897,154                          | 8,844,629                          |
| Restricted                                   | 715,346                            | 699,242                            |
| Unrestricted (deficit)                       | <u>(18,934,273)</u>                | <u>(18,891,034)</u>                |
| Total net position                           | <u>\$ (9,321,773)</u>              | <u>\$ (9,347,163)</u>              |

During 2015, the Center adopted GASB Statement 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 the Center's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 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.

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the Center's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$9,321,773.

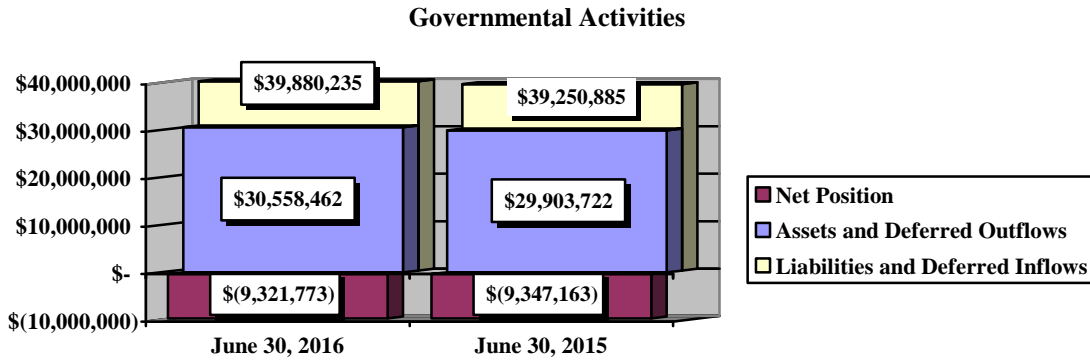
At fiscal year-end, capital assets represented 44.23% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The Center's net investment in capital assets at June 30, 2016 was \$8,897,154. These capital assets are used to provide services to the students and are not available for future spending. Although the Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Center's net position, \$715,346, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position was a deficit of \$18,934,273. The deficit balance in unrestricted net position was the result of reporting the net pension liability required by GASB 68.

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

The graph below illustrates the Center's governmental activities assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2016 and 2015.



The table below shows the changes in net position for governmental activities between 2016 and 2015.

**Change in Net Position**

Governmental Activities

|                                    | <u>2016</u>       | <u>2015</u>       |
|------------------------------------|-------------------|-------------------|
| <b><u>Revenues</u></b>             |                   |                   |
| Program revenues:                  |                   |                   |
| Charges for services and sales     | \$ 1,521,465      | \$ 1,418,859      |
| Operating grants and contributions | 3,953,278         | 3,934,633         |
| Capital grants and contributions   | -                 | 5,000             |
| General revenues:                  |                   |                   |
| Property taxes                     | 6,781,143         | 6,461,535         |
| Grants and entitlements            | 5,426,449         | 5,616,623         |
| Investment earnings                | 40,521            | 44,751            |
| Miscellaneous                      | 39,335            | 20,886            |
| Total revenues                     | <u>17,762,191</u> | <u>17,502,287</u> |

- Continued

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

Governmental Activities

|  | 2016           | 2015           |
|--|----------------|----------------|
| <b><u>Expenses</u></b>                   |                |                |
| Program expenses:                        |                |                |
| Instruction:                             |                |                |
| Vocational                               | \$ 10,171,515  | \$ 10,069,597  |
| Adult/continuing                         | 1,189,016      | 1,105,280      |
| Other                                    | 13,958         | 16,480         |
| Support services:                        |                |                |
| Pupil                                    | 1,512,233      | 1,409,373      |
| Instructional staff                      | 405,945        | 449,390        |
| Board of education                       | 73,329         | 93,035         |
| Administration                           | 1,335,955      | 1,405,110      |
| Fiscal                                   | 499,381        | 521,039        |
| Business                                 | 73,179         | 88,622         |
| Operations and maintenance               | 1,432,633      | 1,437,186      |
| Pupil transportation                     | 36,394         | 33,012         |
| Central                                  | 363,774        | 359,413        |
| Operation of non-instructional services: |                |                |
| Food service operations                  | 419,114        | 392,566        |
| Other non-instructional services         | 21,260         | 20,081         |
| Extracurricular activities               | 94,083         | 97,837         |
| Interest and fiscal charges              | 95,032         | 116,518        |
| Total expenses                           | 17,736,801     | 17,614,539     |
| Change in net position                   | 25,390         | (112,252)      |
| Net position at beginning of year        | (9,347,163)    | (9,234,911)    |
| Net position at end of year              | \$ (9,321,773) | \$ (9,347,163) |

**Governmental Activities**

Net position of the Center's governmental activities increased \$25,390. Total governmental expenses of \$17,736,801 were offset by program revenues of \$5,474,743 and general revenues of \$12,287,448. Program revenues supported 30.87% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 68.73% of total governmental revenue. Real estate property is reappraised every six years.

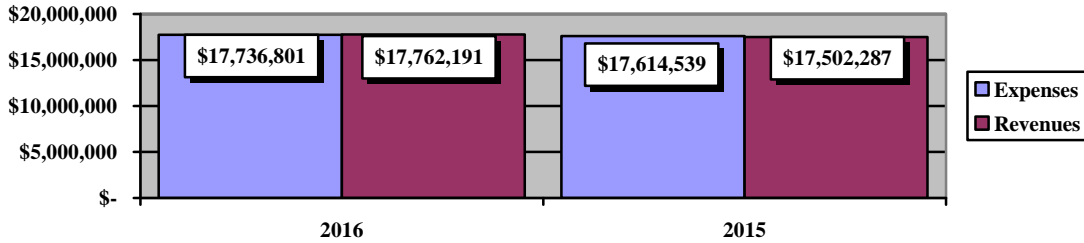
The largest expense of the Center is for instructional programs. Instruction expenses totaled \$11,374,489 or 64.13% of total governmental expenses for fiscal year 2016.

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

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

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2016 and 2015. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues.

**Governmental Activities**

|  | Total Cost of<br>Services<br><u>2016</u> | Net Cost of<br>Services<br><u>2016</u> | Total Cost of<br>Services<br><u>2015</u> | Net Cost of<br>Services<br><u>2015</u> |
|--|--|--|--|--|
| Program expenses:                        |  |  |  |  |
| Instruction:                             |  |  |  |  |
| Vocational                               | \$ 10,171,515                            | \$ 6,338,056                           | \$ 10,069,597                            | \$ 6,194,468                           |
| Adult/continuing                         | 1,189,016                                | 298,695                                | 1,105,280                                | 247,054                                |
| Other                                    | 13,958                                   | 13,958                                 | 16,480                                   | 16,480                                 |
| Support services:                        |  |  |  |  |
| Pupil                                    | 1,512,233                                | 1,322,528                              | 1,409,373                                | 1,348,651                              |
| Instructional staff                      | 405,945                                  | 366,613                                | 449,390                                  | 411,610                                |
| Board of education                       | 73,329                                   | 73,329                                 | 93,035                                   | 93,035                                 |
| Administration                           | 1,335,955                                | 1,321,357                              | 1,405,110                                | 1,392,704                              |
| Fiscal                                   | 499,381                                  | 499,381                                | 521,039                                  | 521,039                                |
| Business                                 | 73,179                                   | 73,179                                 | 88,622                                   | 88,622                                 |
| Operations and maintenance               | 1,432,633                                | 1,422,272                              | 1,437,186                                | 1,390,370                              |
| Pupil transportation                     | 36,394                                   | 34,161                                 | 33,012                                   | 25,590                                 |
| Central                                  | 363,774                                  | 266,943                                | 359,413                                  | 272,180                                |
| Operation of non-instructional services: |  |  |  |  |
| Food service operations                  | 419,114                                  | 31,591                                 | 392,566                                  | 26,854                                 |
| Other non-instructional services         | 21,260                                   | 10,880                                 | 20,081                                   | 13,035                                 |
| Extracurricular activities               | 94,083                                   | 94,083                                 | 97,837                                   | 97,837                                 |
| Interest and fiscal charges              | 95,032                                   | 95,032                                 | 116,518                                  | 116,518                                |
| <b>Total expenses</b>                    | <b><u>\$ 17,736,801</u></b>              | <b><u>\$ 12,262,058</u></b>            | <b><u>\$ 17,614,539</u></b>              | <b><u>\$ 12,256,047</u></b>            |



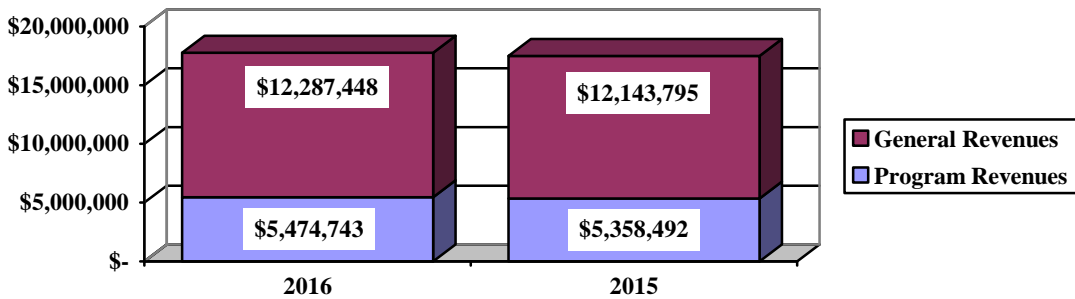
**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

The dependence upon taxes and other general revenues for governmental activities is apparent, as 58.47% of fiscal year 2016 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support was 69.13% in fiscal year 2016. The Center's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for the Center's students.

The graph below presents the Center's governmental activities revenue for fiscal years 2016 and 2015

**Governmental Activities - General and Program Revenues**



**The Center's Funds**

The Center's governmental funds reported a combined fund balance of \$7,160,359, which is less than last year's total balance of \$7,444,730. The table below indicates the fund balance and the total change in fund balance as of June 30, 2016 and June 30, 2015.

|                       | Fund Balance<br><u>June 30, 2016</u> | Fund Balance<br><u>June 30, 2015</u> | Increase<br><u>(Decrease)</u> |
|-----------------------|--------------------------------------|--------------------------------------|-------------------------------|
| General               | \$ 6,470,942                         | \$ 4,932,684                         | \$ 1,538,258                  |
| Adult education       | 258,706                              | 333,201                              | (74,495)                      |
| Nonmajor governmental | <u>430,711</u>                       | <u>2,178,845</u>                     | <u>(1,748,134)</u>            |
| Total                 | <u>\$ 7,160,359</u>                  | <u>\$ 7,444,730</u>                  | <u>\$ (284,371)</u>           |

**General Fund**

The Center's general fund balance increased \$1,538,258, which is primarily due to a \$1,751,948 transfer in to close the Front Entrance capital projects fund.

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

The table that follows assists in illustrating the revenues of the general fund.

|                         | <u>2016</u><br><u>Amount</u> | <u>2015</u><br><u>Amount</u> | <u>Increase/</u><br><u>(Decrease)</u> | <u>Percentage</u><br><u>Change</u> |
|-------------------------|------------------------------|------------------------------|---------------------------------------|------------------------------------|
| <b><u>Revenues</u></b>  |                              |                              |                                       |                                    |
| Taxes                   | \$ 6,267,700                 | \$ 6,069,023                 | \$ 198,677                            | 3.27 %                             |
| Tuition and fees        | 487,561                      | 427,330                      | 60,231                                | 14.09 %                            |
| Earnings on investments | 45,042                       | 38,219                       | 6,823                                 | 17.85 %                            |
| Intergovernmental       | 8,208,379                    | 8,512,133                    | (303,754)                             | (3.57) %                           |
| Other revenues          | <u>220,873</u>               | <u>220,215</u>               | <u>658</u>                            | 0.30 %                             |
| Total                   | <u>\$ 15,229,555</u>         | <u>\$ 15,266,920</u>         | <u>\$ (37,365)</u>                    | (0.24) %                           |

Overall revenues of the general fund decreased \$37,365 or 0.24%. Taxes increased 3.27% from fiscal year 2015 primarily due to an increase in the assessed valuation on the collection of tax year 2015 property taxes. Intergovernmental revenue decreased because of a decrease in State Foundation funding. All other revenue classifications of the Center remained comparable to the prior fiscal year.

The table that follows assists in illustrating the expenditures of the general fund.

|   | <u>2016</u><br><u>Amount</u> | <u>2015</u><br><u>Amount</u> | <u>Increase/</u><br><u>(Decrease)</u> | <u>Percentage</u><br><u>Change</u> |
|---|------------------------------|------------------------------|---------------------------------------|------------------------------------|
| <b><u>Expenditures</u></b>              |                              |                              |                                       |                                    |
| Instruction                             | \$ 9,937,489                 | \$ 10,242,785                | \$ (305,296)                          | (2.98) %                           |
| Support services                        | 5,286,417                    | 5,286,133                    | 284                                   | 0.01 %                             |
| Operation of non-instructional services | 1,336                        | 4,316                        | (2,980)                               | (69.05) %                          |
| Extracurricular activities              | 94,846                       | 99,047                       | (4,201)                               | (4.24) %                           |
| Debt service                            | <u>140,350</u>               | <u>140,349</u>               | <u>1</u>                              | 0.00 %                             |
| Total                                   | <u>\$ 15,460,438</u>         | <u>\$ 15,772,630</u>         | <u>\$ (312,192)</u>                   | (1.98) %                           |

Overall expenditures of the general fund decreased \$312,192 or 1.98%. The most significant decrease was in instruction expenditures, primarily vocational expenditures. This is mostly due to the inception of long-term leases for the acquisition of computers in 2015. These items are not reported as capital outlay but as vocational expenditures since the individual items are under the Center's capitalization threshold. Debt service is also related to the long-term leases.

***Adult Education Fund***

The adult education fund had \$826,317 in revenues and \$900,812 in expenditures. The adult education fund's fund balance decreased \$74,495 from \$333,201 to \$258,706.

***General Fund Budgeting Highlights***

The Center's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Center uses site-based budgeting, and the budgeting systems are designed to tightly control total site budgets while still providing flexibility for site management. The most significant budgeted fund is the general fund.

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

For the general fund, final budgeted revenues and other financing sources were \$16,581,925, which were \$1,750,000 greater than the original budgeted revenues of \$14,831,925. Actual revenues and other financing sources of \$16,754,431 were \$172,506 greater than final budgeted revenues and other financing sources.

General fund original appropriations (expenditures and other financing uses) of \$16,577,540 were unchanged in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$15,096,282, which was \$1,481,258 less than the final budget estimates. This is a result of the Center's conservative budgeting practices.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2016, the Center had \$12,412,244 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The total amount was reported in governmental activities. The following table shows June 30, 2016 balances compared to June 30, 2015.

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

|                            | Governmental Activities |               |
|----------------------------|-------------------------|---------------|
|                            | 2016                    | 2015          |
| Land                       | \$ 219,258              | \$ 219,258    |
| Land improvements          | 327,832                 | 364,164       |
| Buildings and improvements | 10,799,373              | 10,507,214    |
| Furniture and equipment    | 850,684                 | 947,785       |
| Vehicles                   | 215,097                 | 149,859       |
| Construction in progress   | -                       | 506,740       |
| Total                      | \$ 12,412,244           | \$ 12,695,020 |

The overall decrease in capital assets of \$282,776 is due to depreciation expense of \$610,159 and disposals of capital assets of \$16,964 (net of accumulated depreciation) exceeding capital asset additions of \$344,347. See Note 8 to the basic financial statements for additional information on the Center's capital assets.

*Debt Administration*

At June 30, 2016, the Center had \$3,640,618 in bonds, notes and long-term lease obligations outstanding. Of this total, \$324,888 is due within one year and \$3,315,730 is due in more than one year. The following table summarizes the long-term obligations outstanding at June 30, 2016 and June 30, 2015.

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

**Outstanding Debt, at Year End**

|                           | Governmental<br>Activities<br><u>2016</u> | Governmental<br>Activities<br><u>2015</u> |
|---------------------------|---|---|
| Limited tax GO bonds      | \$ 2,640,000                              | \$ 2,725,000                              |
| Permanent improvement TAN | 805,000                                   | 910,000                                   |
| Long-term leases          | <u>195,618</u>                            | <u>326,916</u>                            |
|                           | <u>\$ 3,640,618</u>                       | <u>\$ 3,961,916</u>                       |

At June 30, 2016, the Center's overall legal debt margin was \$302,237,454, with an unvoted debt margin of \$3,386,395.

See Note 10 to the basic financial statements for additional information on the Center's debt administration.

**Current Financial Related Activity**

The Four County Career Center (the "Center") covers portions of eight different counties geographically, which consists mostly of residential/farming communities. The building and facilities are on one campus, and includes an adult education program.

Property tax levies passed in 1976, 1979 and 1988 on a continuous basis are in place to help fund the general fund operations of the Center. Overall, revenue increased 12% over the prior year, due to a one-time transfer into the general fund from the capital projects fund, which is discussed later in this section. Excluding this transfer, revenue remained stable for fiscal year 2016 in the general fund. With the passage of the State biennial budget (HB64) for fiscal years 2016 and 2017, the Center will lose its entire state reimbursement of tangible personal property tax, which previously provided anywhere from three to eight percent of its general fund operating revenue per year over the past nine years. As a response, in part, to the continual decline and ultimate elimination of the tangible personal property tax state reimbursement, the Board of Education placed an additional 1.0 mill levy for current expenses on the November 8, 2016 ballot. The ballot issue was successful and like the previous levies, is for a continuing period of time. The collection of tax revenue on the new levy will begin in calendar year 2017.

Changes in state funding from preliminary estimates, apart from loss in the tangible personal property tax reimbursement, were not significant in the first year of the State biennial budget in fiscal year 2016.

The Center continues to manage its resources in spite of a difficult economy and was able to keep general fund expenditures 1.4% below the prior fiscal year's expenditures.

During fiscal year 2010 the Center's Board established the front entrance capital project fund through a Board Resolution and transfer of funds from the general fund. The dollars in this fund were used for specific renovations and building additions, with the intent for any unused funds to be transferred back to the general fund. The Board financed the majority of the front entrance project with the additional funds generated from the continuing .20 permanent improvement levy passed in 2013, and in 2016 returned \$1,751,948 back to the general fund.

The uncertainty associated with the long term effects of the elimination of the tangible personal property tax base and most recently the state reimbursement for those taxes, along with state funding revisions and legislative changes will create future challenges; however, the financial stability of the Center continues to be a top priority.

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

**Contacting the Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Connie Nicely, Treasurer/CFO, Four County Career Center, 22-900 St. Rt. 34, Archbold, Ohio, 43502

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2016

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>Assets:</b>  |                                    |
| Equity in pooled cash and investments. . . . .          | \$ 8,485,072                       |
| Receivables:  |                                    |
| Property taxes . . . . .                                | 6,976,577                          |
| Accounts. . . . .                                       | 45,512                             |
| Accrued interest . . . . .                              | 1,751                              |
| Intergovernmental . . . . .                             | 24,419                             |
| Prepayments . . . . .                                   | 9,056                              |
| Materials and supplies inventory. . . . .               | 70,778                             |
| Inventory held for resale. . . . .                      | 40,840                             |
| Capital assets:   |                                    |
| Nondepreciable capital assets . . . . .                 | 219,258                            |
| Depreciable capital assets, net. . . . .                | 12,192,986                         |
| Capital assets, net . . . . .                           | 12,412,244                         |
| Total assets. . . . .                                   | 28,066,249                         |
| <b>Deferred outflows of resources:</b>                  |                                    |
| Pension - STRS . . . . .                                | 2,088,562                          |
| Pension - SERS . . . . .                                | 403,651                            |
| Total deferred outflows of resources . . . . .          | 2,492,213                          |
| <b>Liabilities:</b>                                     |                                    |
| Accounts payable. . . . .                               | 50,427                             |
| Accrued wages and benefits . . . . .                    | 1,889,460                          |
| Intergovernmental payable . . . . .                     | 23,679                             |
| Pension and postemployment obligation payable. . . . .  | 242,386                            |
| Accrued interest payable . . . . .                      | 13,035                             |
| Long-term liabilities:                                  |                                    |
| Due within one year. . . . .                            | 517,930                            |
| Due in more than one year:                              |                                    |
| Net pension liability . . . . .                         | 24,889,865                         |
| Other amounts due in more than one year . . . . .       | 4,076,950                          |
| Total liabilities . . . . .                             | 31,703,732                         |
| <b>Deferred inflows of resources:</b>                   |                                    |
| Property taxes levied for the next fiscal year. . . . . | 6,113,394                          |
| Pension - STRS. . . . .                                 | 1,932,490                          |
| Pension - SERS. . . . .                                 | 130,619                            |
| Total deferred inflows of resources . . . . .           | 8,176,503                          |
| <b>Net position:</b>                                    |                                    |
| Net investment in capital assets . . . . .              | 8,897,154                          |
| Restricted for:   |                                    |
| Capital projects . . . . .                              | 321,330                            |
| Debt service. . . . .                                   | 94,221                             |
| State funded programs. . . . .                          | 46,238                             |
| Adult education. . . . .                                | 245,170                            |
| Other purposes . . . . .                                | 8,387                              |
| Unrestricted (deficit) . . . . .                        | (18,934,273)                       |
| Total net position. . . . .                             | \$ (9,321,773)                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

|  |                      | <b>Program Revenues</b>                   |   | <b>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Position</b> |
|--|----------------------|---|---|--|
|  | <b>Expenses</b>      | <b>Charges for<br/>Services and Sales</b> | <b>Operating Grants<br/>and Contributions</b> | <b>Governmental<br/>Activities</b>                                   |
| <b>Governmental activities:</b>                |                      |   |   |  |
| Instruction:                                   |                      |   |   |  |
| Vocational . . . . .                           | \$ 10,171,515        | \$ 659,883                                | \$ 3,173,576                                  | \$ (6,338,056)   |
| Adult/continuing. . . . .                      | 1,189,016            | 682,587                                   | 207,734                                       | (298,695)  |
| Other . . . . .                                | 13,958               | -   | -   | (13,958)   |
| Support services:                              |                      |   |   |  |
| Pupil. . . . .                                 | 1,512,233            | -   | 189,705                                       | (1,322,528)  |
| Instructional staff . . . . .                  | 405,945              | -   | 39,332  | (366,613)  |
| Board of education . . . . .                   | 73,329               | -   | -   | (73,329)   |
| Administration. . . . .                        | 1,335,955            | -   | 14,598  | (1,321,357)  |
| Fiscal. . . . .                                | 499,381              | -   | -   | (499,381)  |
| Business. . . . .                              | 73,179               | -   | -   | (73,179)   |
| Operations and maintenance . . . . .           | 1,432,633            | 9,216                                     | 1,145   | (1,422,272)  |
| Pupil transportation. . . . .                  | 36,394               | -   | 2,233   | (34,161)   |
| Central . . . . .                              | 363,774              | -   | 96,831  | (266,943)  |
| Operation of non-instructional services:       |                      |   |   |  |
| Food service operations . . . . .              | 419,114              | 169,779                                   | 217,744                                       | (31,591)   |
| Other non-instructional services . . . . .     | 21,260               | -   | 10,380  | (10,880)   |
| Extracurricular activities. . . . .            | 94,083               | -   | -   | (94,083)   |
| Interest and fiscal charges . . . . .          | 95,032               | -   | -   | (95,032)   |
| <b>Total governmental activities . . . . .</b> | <b>\$ 17,736,801</b> | <b>\$ 1,521,465</b>                       | <b>\$ 3,953,278</b>                           | <b>(12,262,058)</b>  |
| <br><b>General revenues:</b>                   |                      |   |   |  |
| Property taxes levied for:                     |                      |   |   |  |
|  |                      |   |   | 6,269,013  |
|  |                      |   |   | 285,000  |
|  |                      |   |   | 227,130  |
| Grants and entitlements not restricted         |                      |   |   |  |
|  |                      |   |   | 5,426,449  |
|  |                      |   |   | 40,521   |
|  |                      |   |   | 39,335   |
|  |                      |   |   | 12,287,448   |
|  |                      |   |   | 25,390   |
|  |                      |   |   | (9,347,163)  |
|  |                      |   |   | \$ (9,321,773)   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

|  | <u>General</u>       | <u>Adult<br/>Education</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|----------------------------|--|---|
| <b>Assets:</b>   |                      |                            |  |   |
| Equity in pooled cash and investments . . . . .          | \$ 7,727,357         | \$ 247,215                 | \$ 510,500                                 | \$ 8,485,072                            |
| Receivables:   |                      |                            |  |   |
| Property taxes . . . . .                                 | 6,452,115            | -                          | 524,462                                    | 6,976,577                               |
| Accounts . . . . .                                       | 9,328                | 36,087                     | 97   | 45,512                                  |
| Accrued interest . . . . .                               | 1,751                | -                          | -  | 1,751                                   |
| Intergovernmental . . . . .                              | 17,431               | -                          | 6,988                                      | 24,419                                  |
| Prepayments . . . . .                                    | 8,764                | 136                        | 156  | 9,056                                   |
| Materials and supplies inventory . . . . .               | 70,778               | -                          | -  | 70,778                                  |
| Inventory held for resale . . . . .                      | 27,246               | 10,999                     | 2,595                                      | 40,840                                  |
| Total assets . . . . .                                   | <u>\$ 14,314,770</u> | <u>\$ 294,437</u>          | <u>\$ 1,044,798</u>                        | <u>\$ 15,654,005</u>                    |
| <b>Liabilities:</b>                                      |                      |                            |  |   |
| Accounts payable . . . . .                               | \$ 41,183            | \$ 278                     | \$ 8,966                                   | \$ 50,427                               |
| Accrued wages and benefits . . . . .                     | 1,744,986            | 30,310                     | 114,164                                    | 1,889,460                               |
| Compensated absences payable . . . . .                   | 32,192               | -                          | 1,243                                      | 33,435                                  |
| Intergovernmental payable . . . . .                      | 21,295               | 900                        | 1,484                                      | 23,679                                  |
| Pension and postemployment obligation payable . . . . .  | 219,454              | 4,243                      | 18,689                                     | 242,386                                 |
| Total liabilities . . . . .                              | <u>2,059,110</u>     | <u>35,731</u>              | <u>144,546</u>                             | <u>2,239,387</u>                        |
| <b>Deferred inflows of resources:</b>                    |                      |                            |  |   |
| Property taxes levied for the next fiscal year . . . . . | 5,652,766            | -                          | 460,628                                    | 6,113,394                               |
| Delinquent property tax revenue not available . . . . .  | 127,628              | -                          | 8,913                                      | 136,541                                 |
| Intergovernmental revenue not available . . . . .        | 2,977                | -                          | -  | 2,977                                   |
| Accrued interest not available . . . . .                 | 1,347                | -                          | -  | 1,347                                   |
| Total deferred inflows of resources . . . . .            | <u>5,784,718</u>     | <u>-</u>                   | <u>469,541</u>                             | <u>6,254,259</u>                        |
| <b>Fund balances:</b>                                    |                      |                            |  |   |
| Nonspendable:  |                      |                            |  |   |
| Materials and supplies inventory . . . . .               | 70,778               | -                          | -  | 70,778                                  |
| Prepays . . . . .  | 8,764                | 136                        | 156  | 9,056                                   |
| Restricted:  |                      |                            |  |   |
| Debt service . . . . .                                   | -                    | -                          | 101,932                                    | 101,932                                 |
| Capital improvements . . . . .                           | -                    | -                          | 312,417                                    | 312,417                                 |
| Adult education . . . . .                                | -                    | 258,570                    | -  | 258,570                                 |
| Other purposes . . . . .                                 | -                    | -                          | 54,625                                     | 54,625                                  |
| Assigned:  |                      |                            |  |   |
| Student instruction . . . . .                            | 53,377               | -                          | -  | 53,377                                  |
| Student and staff support . . . . .                      | 21,409               | -                          | -  | 21,409                                  |
| Extracurricular activities . . . . .                     | 4,256                | -                          | -  | 4,256                                   |
| Subsequent year's appropriations . . . . .               | 2,034,872            | -                          | -  | 2,034,872                               |
| Customer services . . . . .                              | 118,661              | -                          | -  | 118,661                                 |
| Other purposes . . . . .                                 | 74,692               | -                          | -  | 74,692                                  |
| Unassigned (deficit) . . . . .                           | 4,084,133            | -                          | (38,419)                                   | 4,045,714                               |
| Total fund balances . . . . .                            | <u>6,470,942</u>     | <u>258,706</u>             | <u>430,711</u>                             | <u>7,160,359</u>                        |
| Total liabilities, deferred inflows and fund balances    | <u>\$ 14,314,770</u> | <u>\$ 294,437</u>          | <u>\$ 1,044,798</u>                        | <u>\$ 15,654,005</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

|   |    |              |              |
|---|----|--------------|--------------|
| <b>Total governmental fund balances</b>   |    | \$           | 7,160,359    |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i>   |    |              |              |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   |    |              | 12,412,244   |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.                                  |    |              |              |
| Property taxes receivable   | \$ | 136,541      |              |
| Accrued interest receivable   |    | 1,347        |              |
| Intergovernmental receivable  |    | 2,977        |              |
| Total   |    | 140,865      | 140,865      |
| Unamortized premiums on bonds issued are not recognized in the funds.   |    |              | (70,090)     |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.   |    |              | (13,035)     |
| The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds. |    |              |              |
| Deferred outflows - pension   |    | 2,492,213    |              |
| Deferred inflows - pension  |    | (2,063,109)  |              |
| Net pension liability   |    | (24,889,865) |              |
| Total   |    | (24,460,761) | (24,460,761) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.                        |    |              |              |
| General obligation bonds  |    | (2,640,000)  |              |
| Long-term lease obligations   |    | (195,618)    |              |
| Compensated absences  |    | (850,737)    |              |
| Notes payable   |    | (805,000)    |              |
| Total   |    | (4,491,355)  | (4,491,355)  |
| <b>Net position of governmental activities</b>  |    | \$           | (9,321,773)  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

|  | <u>General</u>      | <u>Adult<br/>Education</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|----------------------------|--|---|
| <b>Revenues:</b>   |                     |                            |  |   |
| From local sources:  |                     |                            |  |   |
| Property taxes . . . . .   | \$ 6,267,700        | \$ -                       | \$ 512,417                                 | \$ 6,780,117                            |
| Tuition . . . . .  | 288,512             | 531,688                    | -  | 820,200                                 |
| Earnings on investments . . . . .                                      | 45,042              | -                          | 330  | 45,372                                  |
| Charges for services . . . . .   | -                   | -                          | 168,597                                    | 168,597                                 |
| Classroom materials and fees . . . . .                                 | 199,049             | 146,931                    | -  | 345,980                                 |
| Other local revenues . . . . .   | 220,873             | 4,391                      | 14,732                                     | 239,996                                 |
| Intergovernmental - state . . . . .                                    | 8,196,364           | 143,297                    | 364,257                                    | 8,703,918                               |
| Intergovernmental - federal . . . . .                                  | 12,015              | 10                         | 646,788                                    | 658,813                                 |
| Total revenues . . . . .   | <u>15,229,555</u>   | <u>826,317</u>             | <u>1,707,121</u>                           | <u>17,762,993</u>                       |
| <b>Expenditures:</b>   |                     |                            |  |   |
| Current:   |                     |                            |  |   |
| Instruction:   |                     |                            |  |   |
| Vocational . . . . .   | 9,693,615           | -                          | 287,731                                    | 9,981,346                               |
| Adult/continuing . . . . .   | 229,582             | 900,812                    | 65,397                                     | 1,195,791                               |
| Other . . . . .  | 14,292              | -                          | -  | 14,292                                  |
| Support services:  |                     |                            |  |   |
| Pupil . . . . .  | 1,371,502           | -                          | 168,348                                    | 1,539,850                               |
| Instructional staff . . . . .  | 395,301             | -                          | 39,749                                     | 435,050                                 |
| Board of education . . . . .   | 72,515              | -                          | -  | 72,515                                  |
| Administration . . . . .   | 1,340,003           | -                          | 14,980                                     | 1,354,983                               |
| Fiscal . . . . .   | 489,700             | -                          | 10,759                                     | 500,459                                 |
| Business . . . . .   | 74,058              | -                          | -  | 74,058                                  |
| Operations and maintenance . . . . .                                   | 1,247,121           | -                          | 1,178                                      | 1,248,299                               |
| Pupil transportation . . . . .   | 29,331              | -                          | 91,290                                     | 120,621                                 |
| Central . . . . .  | 266,886             | -                          | 97,909                                     | 364,795                                 |
| Operation of non-instructional services:                               |                     |                            |  |   |
| Food service operations . . . . .                                      | -                   | -                          | 415,185                                    | 415,185                                 |
| Other non-instructional services . . . . .                             | 1,336               | -                          | 8,272                                      | 9,608                                   |
| Extracurricular activities . . . . .                                   | 94,846              | -                          | -  | 94,846                                  |
| Facilities acquisition and construction . . . . .                      | -                   | -                          | 217,865                                    | 217,865                                 |
| Debt service:  |                     |                            |  |   |
| Principal retirement . . . . .   | 131,298             | -                          | 190,000                                    | 321,298                                 |
| Interest and fiscal charges . . . . .                                  | 9,052               | -                          | 94,644                                     | 103,696                                 |
| Total expenditures . . . . .   | <u>15,460,438</u>   | <u>900,812</u>             | <u>1,703,307</u>                           | <u>18,064,557</u>                       |
| Excess (deficiency) of revenues over (under)<br>expenditures . . . . . | <u>(230,883)</u>    | <u>(74,495)</u>            | <u>3,814</u>                               | <u>(301,564)</u>                        |
| <b>Other financing sources (uses):</b>                                 |                     |                            |  |   |
| Sale of capital assets . . . . .                                       | 17,193              | -                          | -  | 17,193                                  |
| Transfers in . . . . .   | 1,751,948           | -                          | -  | 1,751,948                               |
| Transfers (out) . . . . .  | -                   | -                          | (1,751,948)                                | (1,751,948)                             |
| Total other financing sources (uses) . . . . .                         | <u>1,769,141</u>    | <u>-</u>                   | <u>(1,751,948)</u>                         | <u>17,193</u>                           |
| Net change in fund balances . . . . .                                  | 1,538,258           | (74,495)                   | (1,748,134)                                | (284,371)                               |
| <b>Fund balances at beginning of year . . . . .</b>                    | <u>4,932,684</u>    | <u>333,201</u>             | <u>2,178,845</u>                           | <u>7,444,730</u>                        |
| <b>Fund balances at end of year . . . . .</b>                          | <u>\$ 6,470,942</u> | <u>\$ 258,706</u>          | <u>\$ 430,711</u>                          | <u>\$ 7,160,359</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

|   |            |             |
|---|------------|-------------|
| <b>Net change in fund balances - total governmental funds</b>   | \$         | (284,371)   |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i>   |            |             |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.  |            |             |
| Capital asset additions   | \$ 344,347 |             |
| Current year depreciation   | (610,159)  |             |
| Total   |            | (265,812)   |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.   |            |             |
|   |            | (16,964)    |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |            |             |
| Property taxes  | 1,026      |             |
| Earnings on investments   | (4,805)    |             |
| Intergovernmental   | 2,977      |             |
| Total   |            | (802)       |
| Repayment of bond, note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.  |            |             |
|   |            | 321,298     |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities: |            |             |
| Decrease in accrued interest payable  | 3,802      |             |
| Amortization of bond premiums   | 4,862      |             |
| Total   |            | 8,664       |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.   |            |             |
|   |            | 1,448,722   |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.  |            |             |
|   |            | (1,156,423) |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  |            |             |
|   |            | (28,922)    |
| <b>Change in net position of governmental activities</b>  | \$         | 25,390      |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

|   | <u>Budgeted Amounts</u>    |                            |                            | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|----------------------------|----------------------------|----------------------------|---|
|   | <u>Original</u>            | <u>Final</u>               | <u>Actual</u>              |   |
| <b>Revenues:</b>                                      |                            |                            |                            |   |
| From local sources:                                   |                            |                            |                            |   |
| Property taxes . . . . .                              | \$ 6,110,021               | \$ 6,110,021               | \$ 6,311,979               | \$ 201,958  |
| Tuition. . . . .                                      | 258,000                    | 258,000                    | 274,058                    | 16,058  |
| Earnings on investments . . . . .                     | 40,000                     | 40,000                     | 45,131                     | 5,131   |
| Classroom materials and fees . . . . .                | 60,000                     | 60,000                     | 48,324                     | (11,676)  |
| Other local revenues . . . . .                        | 69,250                     | 69,250                     | 99,543                     | 30,293  |
| Intergovernmental - state . . . . .                   | 8,268,654                  | 8,268,654                  | 8,196,376                  | (72,278)  |
| Intergovernmental - federal . . . . .                 | 14,000                     | 14,000                     | 12,015                     | (1,985)   |
| Total revenues . . . . .                              | <u>14,819,925</u>          | <u>14,819,925</u>          | <u>14,987,426</u>          | <u>167,501</u>  |
| <b>Expenditures:</b>                                  |                            |                            |                            |   |
| Current:  |                            |                            |                            |   |
| Instruction:  |                            |                            |                            |   |
| Vocational. . . . .                                   | 10,016,611                 | 9,991,311                  | 9,469,076                  | 522,235   |
| Adult/continuing . . . . .                            | 230,530                    | 230,530                    | 225,523                    | 5,007   |
| Other. . . . .  | 18,850                     | 18,850                     | 13,887                     | 4,963   |
| Support services:                                     |                            |                            |                            |   |
| Pupil. . . . .  | 1,459,552                  | 1,455,552                  | 1,378,823                  | 76,729  |
| Instructional staff . . . . .                         | 488,330                    | 488,330                    | 386,171                    | 102,159   |
| Board of education . . . . .                          | 130,750                    | 130,750                    | 73,912                     | 56,838  |
| Administration. . . . .                               | 1,411,344                  | 1,413,860                  | 1,334,861                  | 78,999  |
| Fiscal . . . . .                                      | 517,525                    | 520,175                    | 483,835                    | 36,340  |
| Business . . . . .                                    | 114,520                    | 114,520                    | 70,577                     | 43,943  |
| Operations and maintenance. . . . .                   | 1,388,007                  | 1,410,341                  | 1,262,476                  | 147,865   |
| Pupil transportation . . . . .                        | 33,145                     | 33,145                     | 28,625                     | 4,520   |
| Central. . . . .                                      | 301,058                    | 301,558                    | 264,679                    | 36,879  |
| Other non-instructional services . . . . .            | 1,575                      | 1,575                      | 1,336                      | 239   |
| Extracurricular activities. . . . .                   | 112,743                    | 114,043                    | 102,501                    | 11,542  |
| Total expenditures . . . . .                          | <u>16,224,540</u>          | <u>16,224,540</u>          | <u>15,096,282</u>          | <u>1,128,258</u>  |
| Excess of expenditures over revenues. . . . .         | <u>(1,404,615)</u>         | <u>(1,404,615)</u>         | <u>(108,856)</u>           | <u>1,295,759</u>  |
| <b>Other financing sources (uses):</b>                |                            |                            |                            |   |
| Refund of prior year's expenditures . . . . .         | 5,000                      | 5,000                      | 588                        | (4,412)   |
| Refund of prior year's receipts. . . . .              | (3,000)                    | (3,000)                    | -                          | 3,000   |
| Transfers in . . . . .                                | -                          | 1,750,000                  | 1,751,948                  | 1,948   |
| Transfers (out). . . . .                              | (75,000)                   | (75,000)                   | -                          | 75,000  |
| Advances (out) . . . . .                              | (200,000)                  | (200,000)                  | -                          | 200,000   |
| Contingencies. . . . .                                | (75,000)                   | (75,000)                   | -                          | 75,000  |
| Sale of capital assets . . . . .                      | 7,000                      | 7,000                      | 14,469                     | 7,469   |
| Total other financing sources (uses) . . . . .        | <u>(341,000)</u>           | <u>1,409,000</u>           | <u>1,767,005</u>           | <u>358,005</u>  |
| Net change in fund balance . . . . .                  | (1,745,615)                | 4,385                      | 1,658,149                  | 1,653,764   |
| <b>Fund balance at beginning of year . . . . .</b>    | <b>5,720,727</b>           | <b>5,720,727</b>           | <b>5,720,727</b>           | <b>-</b>  |
| <b>Prior year encumbrances appropriated . . . . .</b> | <b>67,025</b>              | <b>67,025</b>              | <b>67,025</b>              | <b>-</b>  |
| <b>Fund balance at end of year . . . . .</b>          | <b><u>\$ 4,042,137</u></b> | <b><u>\$ 5,792,137</u></b> | <b><u>\$ 7,445,901</u></b> | <b><u>\$ 1,653,764</u></b>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

|   | <u>Budgeted Amounts</u> |                  |                   | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|------------------|-------------------|---|
|   | <u>Original</u>         | <u>Final</u>     | <u>Actual</u>     |   |
| <b>Revenues:</b>                                      |                         |                  |                   |   |
| From local sources:                                   |                         |                  |                   |   |
| Tuition . . . . .                                     | \$ 520,000              | \$ 520,000       | \$ 512,278        | \$ (7,722)  |
| Classroom materials and fees . . . . .                | 120,000                 | 120,000          | 145,532           | 25,532  |
| Other local revenues . . . . .                        | 3,000                   | 3,000            | 4,290             | 1,290   |
| Intergovernmental - state . . . . .                   | 151,000                 | 151,000          | 143,297           | (7,703)   |
| Intergovernmental - federal . . . . .                 | -                       | -                | 10                | 10  |
| <b>Total revenues . . . . .</b>                       | <u>794,000</u>          | <u>794,000</u>   | <u>805,407</u>    | <u>11,407</u>   |
| <b>Expenditures:</b>                                  |                         |                  |                   |   |
| Current:  |                         |                  |                   |   |
| Instruction:  |                         |                  |                   |   |
| Adult/continuing . . . . .                            | 1,115,948               | 1,115,948        | 911,725           | 204,223   |
| <b>Total expenditures . . . . .</b>                   | <u>1,115,948</u>        | <u>1,115,948</u> | <u>911,725</u>    | <u>204,223</u>  |
| Excess of expenditures over revenues. . . . .         | (321,948)               | (321,948)        | (106,318)         | 215,630   |
| <b>Other financing sources (uses):</b>                |                         |                  |                   |   |
| Refund of prior year's expenditures . . . . .         | 2,000                   | 2,000            | 32                | (1,968)   |
| Refund of prior year's receipts. . . . .              | (2,000)                 | (1,000)          | -                 | 1,000   |
| <b>Total other financing sources (uses) . . . . .</b> | <u>-</u>                | <u>1,000</u>     | <u>32</u>         | <u>(968)</u>  |
| Net change in fund balance . . . . .                  | (321,948)               | (320,948)        | (106,286)         | 214,662   |
| <b>Fund balance at beginning of year . . . . .</b>    | 304,968                 | 304,968          | 304,968           | -   |
| <b>Prior year encumbrances appropriated . . . . .</b> | 24,948                  | 24,948           | 24,948            | -   |
| <b>Fund balance at end of year . . . . .</b>          | <u>\$ 7,968</u>         | <u>\$ 8,968</u>  | <u>\$ 223,630</u> | <u>\$ 214,662</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

|  | <u>Agency</u>   |
|--|-----------------|
| <b>Assets:</b>                                     |                 |
| Equity in pooled cash<br>and investments . . . . . | \$ 6,572        |
| Receivables:                                       |                 |
| Accounts . . . . .                                 | <u>96</u>       |
| Total assets. . . . .                              | <u>\$ 6,668</u> |
| <b>Liabilities:</b>                                |                 |
| Due to students. . . . .                           | <u>\$ 6,668</u> |
| Total liabilities . . . . .                        | <u>\$ 6,668</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE CENTER**

The Four County Career Center (the "Center") is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. The Center was established in 1966, with classes beginning in September 1969, and serves 22 districts located primarily in Defiance, Fulton, Henry and Williams counties. The Center is operated under a board of education consisting of eleven members. The Center provides job training for residents of participating districts. Currently, the Center provides 31 courses of instruction in such varied fields as chef training, electronics, health careers and cosmetology. The average daily membership for fiscal year 2016 was 951. The Center employed 96 certified, 49 non-certified, and 18 administrative staff.

The Center provides vocational and adult continuing instruction. Also, the Center has support services for pupils, instructional staff, general and school administration, fiscal and business affairs. In addition, the Center accounts for various extracurricular activities and retirement of debt obligations.

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

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

**A. Reporting Entity**

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

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

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northwest Ohio Computer Association

The Center is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is a program of the Northern Buckeye Education Council. 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 educational entities.

NWOCA is governed by the Northern Buckeye Education Council as described below. Total disbursements made by the Center to NWOCA during fiscal year 2016 were \$84,824. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, P.O. Box 407, Archbold, Ohio 43502.

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

*INSURANCE PURCHASING POOLS*

Northern Buckeye Health Plan's Employee Insurance Benefits Program

The Center participates in a group health insurance pool through Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Pool). The Pool is a public entity shared risk pool consisting of educational entities throughout the state. The Pool is governed by OHI and its participating members. During fiscal year 2016, the Center contributed a total of \$1,716,989 to Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, Ohio 45242.

Workers' Compensation Group Rating Plan

The Center participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Optimal Health Initiatives (OHI) Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Health Plan NW Division of OHI, a group purchasing pool. The WCGRP is governed by the Northern Buckeye Health Plan and the plan participants. The Executive Director of the Health Plan coordinates the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover the costs of administering the program.



**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

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

**B. Fund Accounting**

The Center uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary 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 less liabilities and deferred inflows is reported as fund balance. The following are the Center's major governmental funds:

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

*Adult education fund* - The adult education fund is used to account for transactions made in connection with adult education classes. Receipts include, but are not limited to, tuition from patrons and students, and reimbursements from the Ohio Board of Regents. Expenditures include, supplies, salaries and textbooks.

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

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the Center's ongoing activities which are similar to those often found in the private sector. The Center has no proprietary funds.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. The Center has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center's agency funds account for student activities and Center agency services.

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

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

**C. Basis of Presentation and Measurement Focus**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the Center. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the Center.

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

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

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

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

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

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Center unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the Center, see Note 13 for deferred inflows of resources related to the Center's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the fiscal year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control for the general fund is at the fund, function and object level and the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education. The Center has elected to present budgetary statement comparisons at the fund and function level of expenditures.

Tax Budget:

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

Estimated Resources:

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Appropriations:

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

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

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

**F. Cash and Investments**

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

During fiscal year 2016, investments were limited to negotiable and nonnegotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The Center has invested funds in STAR Ohio during fiscal year 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2016.

Under existing 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 2016 amounted to \$45,042, which includes \$8,777 assigned from other funds.

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

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

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

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

**G. Inventory**

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

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Center’s capitalization threshold is \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

| Description                       | Governmental<br>Activities<br><u>Estimated Lives</u> |
|-----------------------------------|--|
| Land improvements                 | 20 years   |
| Buildings and improvements        | 15 - 40 years  |
| Furniture, fixtures and equipment | 5 - 15 years   |
| Vehicles                          | 5 - 15 years   |

**I. Compensated Absences**

Compensated absences of the Center consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Center and the employee.

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2016, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or greater are considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**J. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, notes and long-term leases are recognized as a liability on the governmental fund financial statements when due.

**K. Fund Balance**

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Center's Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**L. Net Position**

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation. Deferred outflows of resources, deferred inflows of resources and liabilities that are attributable to the acquisition, construction or improvement of those assets, including contracts payable, and related debt also are included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Prepayments**

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

**N. Estimates**

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

**O. 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. During fiscal year 2016, the Center had no extraordinary or special items.

**P. Stabilization Arrangement**

The Board of Education has \$725,000 of unassigned fund balance in the general fund set aside to be used for budget stabilization. The Board has set aside these funds to cover emergency situations or when revenue shortages or budgetary imbalances arise. The budget stabilization arrangement may be removed by action of the Board of Education at any time.

**Q. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund loans receivable/payable. These amounts are eliminated in the governmental activities column of the statement of net position. The Center had no interfund balances at June 30, 2016.

**R. Interfund Transactions**

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

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

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

**S. Unamortized Bond Premiums**

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

**T. 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.

**U. Fair Market Value**

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND DEFICIT FUND BALANCE**

**A. Change in Accounting Principles**

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND DEFICIT FUND BALANCE - (Continued)**

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

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

**B. Deficit Fund Balances**

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

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|-----------------------|----------------|
| Food service          | \$ 17,695      |
| Adult basic education | 13             |
| Vocational education  | 20,555         |

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim monies may be deposited or invested in the following securities:

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

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

**A. Cash on Hand**

At fiscal year end, the Center had \$675 in undeposited cash on hand which is included on the financial statements of the Center as part of "equity in pooled cash and investments".

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all Center deposits was \$6,305,919. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$2,158,483 of the Center’s bank balance of \$6,383,816 was exposed to custodial credit risk as discussed below, while \$4,225,333 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Center’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Center.

**C. Investments**

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

| <u>Investment</u> | <u>Fair Value</u>   | <u>Investment Maturities</u> |                       |
|-------------------|---------------------|------------------------------|-----------------------|
|                   |                     | <u>6 months or less</u>      | <u>7 to 12 months</u> |
| Negotiable CDs    | \$ 816,551          | \$ 575,680                   | \$ 240,871            |
| STAR Ohio         | <u>1,368,499</u>    | <u>1,368,499</u>             | <u>-</u>              |
| Total             | <u>\$ 2,185,050</u> | <u>\$ 1,944,179</u>          | <u>\$ 240,871</u>     |

The weighted average maturity of investments is 0.18 years.

The Center’s investments in negotiable certificates of deposit are valued using quoted market prices (Level 1 inputs).

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

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Center’s investment policy does not specifically address credit risk beyond requiring the Center to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center’s investments in negotiable CDs are insured by the FDIC. The Center has no investment policy dealing with investment custodial risk beyond the requirement of the State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

| <u>Investment Type</u> | <u>Fair Value</u>   | <u>% of Total</u> |
|------------------------|---------------------|-------------------|
| Negotiable CDs         | \$ 816,551          | 37.37             |
| STAR Ohio              | <u>1,368,499</u>    | <u>62.63</u>      |
| Total                  | <u>\$ 2,185,050</u> | <u>100.00</u>     |

**C. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

|   |                     |
|---|---------------------|
| <u>Cash and investments per note</u>                          |                     |
| Carrying amount of deposits                                   | \$ 6,305,919        |
| Investments   | 2,185,050           |
| Cash on hand  | <u>675</u>          |
| Total   | <u>\$ 8,491,644</u> |
| <br><u>Cash and investments per statement of net position</u> |                     |
| Governmental activities                                       | \$ 8,485,072        |
| Agency funds  | <u>6,572</u>        |
| Total   | <u>\$ 8,491,644</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

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

|  |               |
|--|---------------|
| <u>Transfers to general fund from:</u> | <u>Amount</u> |
| Nonmajor governmental funds            | \$ 1,751,948  |

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer above was made from the Front Entrance capital project fund to the general fund in order to close the fund since the project was completed.

All transfers made in fiscal year 2016 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The Center receives property taxes from Henry, Defiance, Fulton, Lucas, Paulding, Putnam, Williams and Wood Counties. The County Auditors periodically advance to the Center their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$671,721 in the general fund and \$54,921 in the permanent improvement fund, a nonmajor governmental fund. These amounts are recorded as revenue. The amount available for advance at June 30, 2015 was \$716,000 in the general fund and \$60,747 in the permanent improvement fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2016 taxes were collected are:

|   | 2015 Second<br>Half Collections |                | 2016 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 3,080,960,290                | 94.11          | \$ 3,186,274,910               | 94.09          |
| Public utility personal                           | <u>192,907,520</u>              | <u>5.89</u>    | <u>200,119,780</u>             | <u>5.91</u>    |
| Total   | <u>\$ 3,273,867,810</u>         | <u>100.00</u>  | <u>\$ 3,386,394,690</u>        | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     |                                 | \$3.20         |                                | \$3.20         |

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2016 consisted of property taxes, accounts, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

|                   |                     |
|-------------------|---------------------|
| Property taxes    | \$ 6,976,577        |
| Accounts          | 45,512              |
| Intergovernmental | 24,419              |
| Accrued interest  | <u>1,751</u>        |
| Total             | <u>\$ 7,048,259</u> |

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

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

**NOTE 8 - CAPITAL ASSETS**

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

|   | Balance<br>6/30/2015 | Additions         | Deductions          | Balance<br>6/30/2016 |
|---|----------------------|-------------------|---------------------|----------------------|
| <b>Governmental activities:</b>               |                      |                   |                     |                      |
| <i>Capital assets, not being depreciated:</i> |                      |                   |                     |                      |
| Land  | \$ 219,258           | \$ -              | \$ -                | \$ 219,258           |
| Construction in progress                      | 506,740              | 65,805            | (572,545)           | -                    |
| Total capital assets, not being depreciated   | <u>725,998</u>       | <u>65,805</u>     | <u>(572,545)</u>    | <u>219,258</u>       |
| <i>Capital assets, being depreciated:</i>     |                      |                   |                     |                      |
| Land improvements                             | 754,806              | -                 | -                   | 754,806              |
| Buildings and improvements                    | 26,873,115           | 670,781           | -                   | 27,543,896           |
| Furniture, fixtures and equipment             | 3,596,595            | 80,747            | (72,417)            | 3,604,925            |
| Vehicles                                      | 701,924              | 99,559            | -                   | 801,483              |
| Total capital assets, being depreciated       | <u>31,926,440</u>    | <u>851,087</u>    | <u>(72,417)</u>     | <u>32,705,110</u>    |
| <i>Less: accumulated depreciation</i>         |                      |                   |                     |                      |
| Land improvements                             | (390,642)            | (36,332)          | -                   | (426,974)            |
| Buildings and improvements                    | (16,365,901)         | (378,622)         | -                   | (16,744,523)         |
| Furniture, fixtures and equipment             | (2,648,810)          | (160,884)         | 55,453              | (2,754,241)          |
| Vehicles                                      | (552,065)            | (34,321)          | -                   | (586,386)            |
| Total accumulated depreciation                | <u>(19,957,418)</u>  | <u>(610,159)</u>  | <u>55,453</u>       | <u>(20,512,124)</u>  |
| Governmental activities capital assets, net   | <u>\$ 12,695,020</u> | <u>\$ 306,733</u> | <u>\$ (589,509)</u> | <u>\$ 12,412,244</u> |

Depreciation expense was charged to governmental functions as follows:

|                                  |                   |
|----------------------------------|-------------------|
| <u>Instruction:</u>              |                   |
| Vocational                       | \$ 403,471        |
| Adult/continuing                 | 1,237             |
| <u>Support services:</u>         |                   |
| Pupil                            | 4,899             |
| Instructional staff              | 16,118            |
| Board of education               | 814               |
| Administration                   | 2,908             |
| Fiscal                           | 814               |
| Business                         | 1,108             |
| Operations and maintenance       | 154,191           |
| Pupil transportation             | 5,130             |
| Other non-instructional services | 11,652            |
| Food service operations          | 7,817             |
| Total depreciation expense       | <u>\$ 610,159</u> |

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

**NOTE 9 - LEASE AGREEMENTS**

During fiscal year 2015, the Center entered into long-term lease agreements with Apple, Inc. for school computers. The items acquired by the lease agreements have not been capitalized due to each item being under the capitalization threshold. Lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the general fund. These expenditures are reported as function expenditures on the budgetary statement.

The following is a schedule of the future long-term minimum lease payments required under the lease agreements and the present value of the minimum lease payments as of June 30, 2016.

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u>     |
|------------------------------------|-------------------|
| 2017                               | \$ 140,349        |
| 2018                               | <u>62,503</u>     |
| Total minimum lease payments       | 202,852           |
| Less: amount representing interest | <u>(7,234)</u>    |
| Total                              | <u>\$ 195,618</u> |

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

|   | Balance<br>Outstanding<br>06/30/2015 | Additions                          | Reductions          | Balance<br>Outstanding<br>06/30/2016 | Amounts<br>Due in<br>One Year |
|---|--------------------------------------|------------------------------------|---------------------|--------------------------------------|-------------------------------|
| <b>Governmental activities:</b>                         |                                      |                                    |                     |                                      |                               |
| Limited tax G.O. bonds                                  | \$ 2,725,000                         | \$ -                               | \$ (85,000)         | \$ 2,640,000                         | \$ 85,000                     |
| Permanent improvement tax<br>anticipation notes         | 910,000                              | -                                  | (105,000)           | 805,000                              | 105,000                       |
| Long-term leases  | 326,916                              | -                                  | (131,298)           | 195,618                              | 134,888                       |
| Net pension liability                                   | 22,302,264                           | 2,587,601                          | -                   | 24,889,865                           | -                             |
| Compensated absences payable                            | <u>868,895</u>                       | <u>228,941</u>                     | <u>(213,664)</u>    | <u>884,172</u>                       | <u>193,042</u>                |
| Total long-term obligations,<br>governmental activities | <u>\$ 27,133,075</u>                 | <u>\$ 2,816,542</u>                | <u>\$ (534,962)</u> | 29,414,655                           | <u>\$ 517,930</u>             |
|   |                                      | Unamortized bond premium           |                     | <u>70,090</u>                        |                               |
|   |                                      | Total on statement of net position |                     | <u>\$ 29,484,745</u>                 |                               |

On March 5, 2013, the Center issued \$2,835,000 in voted limited tax general obligation bonds. The proceeds were used to fund various facility and site improvements. The bonds were issued for an eighteen year period with final maturity on December 1, 2030. The bonds are being retired from the debt service fund, a nonmajor governmental fund.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

These bonds were also issued with a premium of \$90,456, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method; the amortization of the premium for fiscal year 2016 was \$4,862.

On June 20, 2012, the Center issued \$1,100,000 in voted permanent improvement tax anticipation notes. The proceeds were used to fund various facility and site improvements. The notes were issued for a ten year period with final maturity on December 1, 2022. The notes are being retired from the debt service fund, a nonmajor governmental fund.

Compensated absences will be paid from the fund from which the employee is paid, which is primarily the general fund.

Long-term leases will be paid from the general fund. See Note 9 for detail.

See Note 13 for a discussion of the Center's net pension liability.

The following is a summary of the future debt service requirements to maturity for the limited tax general obligation bonds and the permanent improvement tax anticipation notes at June 30, 2016:

| Fiscal<br>Year Ended | Principal           | Interest          | Total               |
|----------------------|---------------------|-------------------|---------------------|
| 2017                 | \$ 190,000          | \$ 90,434         | \$ 280,434          |
| 2018                 | 195,000             | 86,166            | 281,166             |
| 2019                 | 200,000             | 81,786            | 281,786             |
| 2020                 | 205,000             | 77,298            | 282,298             |
| 2021                 | 210,000             | 72,690            | 282,690             |
| 2022 - 2026          | 1,145,000           | 279,615           | 1,424,615           |
| 2027 - 2031          | <u>1,300,000</u>    | <u>99,600</u>     | <u>1,399,600</u>    |
| Total                | <u>\$ 3,445,000</u> | <u>\$ 787,589</u> | <u>\$ 4,232,589</u> |

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the Center shall never exceed 9% of the total assessed valuation of the Center. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the Center. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the Center. The assessed valuation used in determining the Center's legal debt margin has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the Center's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016 are a voted debt margin of \$302,237,454 and an unvoted debt margin of \$3,386,395.

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

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. All twelve-month employees with one or more years of service are entitled to vacation ranging from 10 to 20 days.

All regular employees are entitled to sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to 25 percent of unused sick leave up to 220 days for a maximum of 55 days for all certified, classified and administrative employees.

**B. Retirement Incentive Plan**

This retirement incentive plan is only available to employees covered by the "Administrative Benefits" policy. The Center agrees to pay a bonus amount to an employee who elects to retire under the following provisions:

1. Be under contract at July 1, 2013.
2. Be under contract at the time of application.
3. Be a member of the Bargaining Unit.
4. Be eligible to retire on or before dates listed.
5. Age 50 has been obtained on or before June 30.
6. Officially retire on or before July 1.
7. Employees are only eligible for this plan in the first year that age and years of service makes them eligible to retire.

Employees wishing to participate in this plan must indicate their desire by submitting a written request to the Treasurer's office on or before applicable dates. Those submitting written applications must irrevocable commit to retire during the plan year.

Employees wishing to participate in the Retirement Incentive Plan should indicate a retirement date on or before the applicable date. Failure to meet the deadline shall make the employee ineligible to participate in the plan.

Individuals retiring under the provisions of this program shall receive a bonus equal to 10% of their previous year's contract salary, payable at the same time as the severance payment.

The following conditions will cause an employee to be ineligible to participate in this retirement incentive program:

- a. Eligible for disability retirement.
- b. Terminated or non-renewed prior to the plan year.
- c. Failure to submit a written letter of resignation.
- d. Failure to actually retire.
- e. Currently retired and/or receiving a retirement benefit from STRS/SERS.

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

**NOTE 11 - EMPLOYEE BENEFITS - (Continued)**

The application due date is March 1, 2016 and the retirement date must be prior to August 31, 2016.

12 month employees retiring at the first of the year shall make application on or before October 1.

**C. Health Care Benefits**

The Center provides employee health care benefits through membership in the Northern Buckeye Health Plan Northwest Division of OHI (the Plan). Monthly payments are made to the Plan for health, dental, vision and life insurance coverage. The employees share the cost of the monthly premiums with the Board of Education.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2016, the Center contracted with Catlin Indemnity Company; Wells Fargo Insurance Services USA is the agent. A summary of coverages provided are as follows:

| Coverage   | Amounts      |
|--|--------------|
| General liability:   |              |
| Bodily injury/property damage  | \$ 6,000,000 |
| Personal injury  | 6,000,000    |
| Products/completed operations  | 6,000,000    |
| General annual aggregate   | 8,000,000    |
| Fire legal liability   | 500,000      |
| Errors or omissions cover:   |              |
| Per occurrence (\$2,500 deductible)                                  | 6,000,000    |
| Per aggregate (\$2,500 deductible)                                   | 6,000,000    |
| Property and crime:  |              |
| Property (incl. inland marine, misc. equipment) (\$1,000 deductible) | 51,251,346   |
| Employee dishonesty/faithful performance of duty (\$500 deductible)  | 100,000      |
| Forgery/alteration (\$500 deductible)                                | 100,000      |
| Computer fraud (\$500 deductible)                                    | 100,000      |
| Theft, disappearance, destruction (\$500 deductible)                 | 50,000       |
| Commercial auto:   |              |
| Owned/leased vehicles  | 6,000,000    |
| Medical payments (occ/agg)   | 5,000/55,000 |
| Uninsured motorist   | 1,000,000    |
| Physical damage (\$500 deductible)                                   | Actual value |

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - RISK MANAGEMENT - (Continued)**

**B. Employee Health, Dental, Vision and Life**

The Center participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of OHI, a self-insurance pool, for insurance benefits to employees. The Center pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, vision and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Plan Description - Center non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](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 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 the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The Center's contractually required contribution to SERS was \$312,269 for fiscal year 2016. Of this amount, \$29,164 is reported as pension and postemployment obligation payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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



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

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The Center's contractually required contribution to STRS was \$1,136,453 for fiscal year 2016. Of this amount, \$201,810 is reported as pension and postemployment obligation payable.

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

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

|  | <u>SERS</u>  | <u>STRS</u>   | <u>Total</u>  |
|--|--------------|---------------|---------------|
| Proportionate share of the net pension liability | \$ 4,068,350 | \$ 20,821,515 | \$ 24,889,865 |
| Proportion of the net pension liability          | 0.07129830%  | 0.07533907%   |               |
| Pension expense                                  | \$ 266,794   | \$ 889,629    | \$ 1,156,423  |

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

|  | <u>SERS</u>       | <u>STRS</u>         | <u>Total</u>        |
|--|-------------------|---------------------|---------------------|
| <b>Deferred outflows of resources</b>  |                   |                     |                     |
| Differences between expected and actual experience                               | \$ 65,366         | \$ 952,109          | \$ 1,017,475        |
| Changes in proportionate share   | 26,016            | -                   | 26,016              |
| Center contributions subsequent to the measurement date                          | <u>312,269</u>    | <u>1,136,453</u>    | <u>1,448,722</u>    |
| Total deferred outflows of resources   | <u>\$ 403,651</u> | <u>\$ 2,088,562</u> | <u>\$ 2,492,213</u> |
| <b>Deferred inflows of resources</b>   |                   |                     |                     |
| Net difference between projected and actual earnings on pension plan investments | \$ 130,619        | \$ 1,553,400        | \$ 1,684,019        |
| Changes in proportionate share   | -                 | 379,090             | 379,090             |
| Total deferred inflows of resources  | <u>\$ 130,619</u> | <u>\$ 1,932,490</u> | <u>\$ 2,063,109</u> |

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

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$1,448,722 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Fiscal Year Ending June 30: | <u>SERS</u>        | <u>STRS</u>         | <u>Total</u>          |
|-----------------------------|--------------------|---------------------|-----------------------|
| 2017                        | \$ (39,397)        | \$ (450,375)        | \$ (489,772)          |
| 2018                        | (39,397)           | (450,375)           | (489,772)             |
| 2019                        | (39,398)           | (450,376)           | (489,774)             |
| 2020                        | <u>78,955</u>      | <u>370,745</u>      | <u>449,700</u>        |
| Total                       | <u>\$ (39,237)</u> | <u>\$ (980,381)</u> | <u>\$ (1,019,618)</u> |

***Actuarial Assumptions - SERS***

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

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

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

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

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

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>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 | 15.00                        | 7.50  |
| <br>Total              | <br><u>100.00 %</u>          |   |

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

**Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

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

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

|  | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| Center's proportionate share<br>of the net pension liability | \$ 5,641,340           | \$ 4,068,350                        | \$ 2,743,763           |

***Actuarial Assumptions - STRS***

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

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

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

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

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

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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

|  | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| Center's proportionate share<br>of the net pension liability | \$ 28,922,655          | \$ 20,821,515                       | \$ 13,970,793          |

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Health Care Plan Description** - The Center contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](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, number of qualified years of service, Medicare eligibility and retirement status.

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**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the Center's surcharge obligation was \$11,413.

The Center's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$11,413, \$27,415, and \$3,201, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System**

Plan Description – The Center participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The Center's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$82,641, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

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**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to an assignment of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) as opposed to cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

|   | <u>General fund</u> | <u>Adult<br/>education</u> |
|---|---------------------|----------------------------|
| Budget basis                            | \$ 1,658,149        | \$ (106,286)               |
| Net adjustment for revenue accruals     | (25,195)            | 20,910                     |
| Net adjustment for expenditure accruals | (207,619)           | (12,672)                   |
| Net adjustment for other sources/uses   | 2,136               | (32)                       |
| Funds budgeted elsewhere                | 1,870               | -                          |
| Adjustment for encumbrances             | <u>108,917</u>      | <u>23,585</u>              |
| GAAP basis                              | <u>\$ 1,538,258</u> | <u>\$ (74,495)</u>         |

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

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The Center receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Center. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Center at June 30, 2016.

**B. Litigation**

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

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

**NOTE 16 - CONTINGENCIES**

**C. Foundation Funding**

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

**NOTE 17 - STATUTORY RESERVES**

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

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

|   | <u>Capital<br/>Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2015             | \$ -                            |
| Current year set-aside requirement          | 165,403                         |
| Current year qualifying expenditures        | (58,324)                        |
| Current year offsets                        | <u>(323,962)</u>                |
| Total                                       | <u>\$ (216,883)</u>             |
| Balance carried forward to fiscal year 2017 | <u>\$ -</u>                     |
| Set-aside balance June 30, 2016             | <u>\$ -</u>                     |

The Center passed Resolution No. 37-09 establishing and funding a reserve balance account within the general fund for the purpose of stabilizing against cyclical changes in revenues and expenditures. The balance of this reserve at June 30, 2016 is \$725,000.



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**NOTE 18 - COMMITMENTS**

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

| <u>Fund Type</u>            | <u>Year-End<br/>Encumbrances</u> |
|-----------------------------|----------------------------------|
| General fund                | \$ 104,534                       |
| Adult education             | 23,033                           |
| Nonmajor governmental funds | <u>257,964</u>                   |
| Total                       | <u>\$ 385,531</u>                |

**NOTE 19 - SUBSEQUENT EVENT**

On November 8, 2016, the Center's voters passed an additional 1.0 mill continuing levy for current expenses. The collection of tax revenue on the new levy will begin in calendar year 2017.

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

|   | <u>2015</u>  | <u>2014</u>  | <u>2013</u>  |
|---|--------------|--------------|--------------|
| Center's proportion of the net pension liability  | 0.07129830%  | 0.07062000%  | 0.07062000%  |
| Center's proportionate share of the net pension liability   | \$ 4,068,350 | \$ 3,574,038 | \$ 4,199,545 |
| Center's covered-employee payroll   | \$ 2,146,449 | \$ 2,052,085 | \$ 2,563,143 |
| Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 189.54%      | 174.17%      | 163.84%      |
| Plan fiduciary net position as a percentage of the total pension liability                                | 69.16%       | 71.70%       | 65.52%       |

Note: Information prior to fiscal year 2013 was unavailable.

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

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

|   | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   |
|---|---------------|---------------|---------------|
| Center's proportion of the net pension liability  | 0.07533907%   | 0.07699655%   | 0.07699655%   |
| Center's proportionate share of the net pension liability   | \$ 20,821,515 | \$ 18,728,226 | \$ 22,308,940 |
| Center's covered-employee payroll   | \$ 7,860,371  | \$ 7,866,923  | \$ 9,219,169  |
| Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 264.89%       | 238.06%       | 241.98%       |
| Plan fiduciary net position as a percentage of the total pension liability                                | 72.10%        | 74.70%        | 69.30%        |

Note: Information prior to fiscal year 2013 was unavailable.

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

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

|  | LAST TEN FISCAL YEARS |                  |                  |                  |
|--|-----------------------|------------------|------------------|------------------|
|  | <u>2016</u>           | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      |
| Contractually required contribution                                  | \$ 312,269            | \$ 282,902       | \$ 284,419       | \$ 354,739       |
| Contributions in relation to the contractually required contribution | <u>(312,269)</u>      | <u>(282,902)</u> | <u>(284,419)</u> | <u>(354,739)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>           | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Center's covered-employee payroll                                    | \$ 2,230,493          | \$ 2,146,449     | \$ 2,052,085     | \$ 2,563,143     |
| Contributions as a percentage of covered-employee payroll            | 14.00%                | 13.18%           | 13.86%           | 13.84%           |

| <u>2012</u>      | <u>2011</u>      | <u>2010</u>      | <u>2009</u>      | <u>2008</u>      | <u>2007</u>      |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 340,438       | \$ 321,353       | \$ 316,460       | \$ 323,158       | \$ 303,172       | \$ 273,678       |
| <u>(340,438)</u> | <u>(321,353)</u> | <u>(316,460)</u> | <u>(323,158)</u> | <u>(303,172)</u> | <u>(273,678)</u> |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| \$ 2,531,138     | \$ 2,556,508     | \$ 2,337,223     | \$ 3,284,126     | \$ 3,087,291     | \$ 2,562,528     |
| 13.45%           | 12.57%           | 13.54%           | 9.84%            | 9.82%            | 10.68%           |

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

|  | LAST TEN FISCAL YEARS |                    |                    |                    |
|--|-----------------------|--------------------|--------------------|--------------------|
|  | <u>2016</u>           | <u>2015</u>        | <u>2014</u>        | <u>2013</u>        |
| Contractually required contribution                                  | \$ 1,136,453          | \$ 1,100,452       | \$ 1,022,700       | \$ 1,198,492       |
| Contributions in relation to the contractually required contribution | <u>(1,136,453)</u>    | <u>(1,100,452)</u> | <u>(1,022,700)</u> | <u>(1,198,492)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>           | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| Center's covered-employee payroll                                    | \$ 8,117,521          | \$ 7,860,371       | \$ 7,866,923       | \$ 9,219,169       |
| Contributions as a percentage of covered-employee payroll            | 14.00%                | 14.00%             | 13.00%             | 13.00%             |

| <u>2012</u>        | <u>2011</u>        | <u>2010</u>        | <u>2009</u>        | <u>2008</u>        | <u>2007</u>        |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 1,190,101       | \$ 1,183,747       | \$ 1,132,387       | \$ 1,156,349       | \$ 1,110,763       | \$ 1,034,138       |
| <u>(1,190,101)</u> | <u>(1,183,747)</u> | <u>(1,132,387)</u> | <u>(1,156,349)</u> | <u>(1,110,763)</u> | <u>(1,034,138)</u> |
| <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| \$ 9,154,623       | \$ 9,105,746       | \$ 8,710,669       | \$ 8,894,992       | \$ 8,544,331       | \$ 7,954,908       |
| 13.00%             | 13.00%             | 13.00%             | 13.00%             | 13.00%             | 13.00%             |

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO**

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

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

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



**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of Board of Education  
Four County Career Center  
Archbold, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Four County Career Center, Henry County, Ohio, (the Center) as of and for the year ended June 30, 2016, 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 8, 2016.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Four County Career Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Four County Career Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Four County Career Center's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Four County Career Center's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Four County Career Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Four County Career Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Four County Career Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 8, 2016

**FOUR COUNTY CAREER CENTER  
HENRY COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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The prior audit report, as of June 30, 2015, included no citations or instances of noncompliance. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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# Dave Yost • Auditor of State

**FOUR COUNTY CAREER CENTER**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 30, 2017**