Perry & Associates
Certified Public Accountants, A.C.

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY
Single Audit
For the Fiscal Year Ended June 30, 2018

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
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OHIO AUDITOR OF STATE
KEITH FABER

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

We have reviewed the *Independent Auditor's Report* of the Tolles Career and Technical Center, Madison County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2019

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TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

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MADISON COUNTY, OHIO

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INDEPENDENT AUDITOR'S REPORT

December 31, 2018

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Tolles Career and Technical Center**, Madison County, Ohio (the Center), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Tolles Career and Technical Center, Madison County, Ohio, as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the Center adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

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

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- The Center's net position of governmental activities increased $8,664,812 which represents a 640.46% increase from 2017, as restated in Note 3.A. The significant increase in net position is the result of a reduction in the net pension liability.

- Governmental activities' general revenues accounted for $13,976,319 in revenue or 86.07% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $2,262,228 in revenue or 13.93% of total revenues of $16,238,547.

- The Center had $7,573,735 in expenses related to governmental activities; only $2,262,228 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 $13,976,319 were adequate to provide for these programs.

- The Center's only major governmental fund is the general fund. The general fund had $15,072,098 in revenues and other financing sources and $13,424,286 in expenditures and other financing uses. The general fund's fund balance increased $1,647,812 from $10,865,377 to $12,513,189.

Using these Basic Financial Statements

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

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

Reporting the Center as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities reflect how the Center did financially during fiscal year 2018. These statements include all assets and liabilities using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the Center's *net position* and changes in position. This change in net position is important because it tells the reader whether the *financial position* of the Center as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the Center's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the Center reports on the following activity type:

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

Reporting the Center's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the Center's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

The Center as a Whole

The statement of net position provides the perspective of the Center as a whole. Net position was restated at July 1, 2017, as described in Note 3.A. of the notes to the basic financial statements. In addition, restricted and unrestricted (deficit) net position at June 30, 2017 has been restated to reclassify $556,794 in restricted for capital projects to committed fund balance/unrestricted net position to conform with fiscal year 2018 presentation. The following table provides a summary of the Center's net position for fiscal years 2018 and 2017.

	Net Position	
	Governmental Activities 2018	Restated Governmental Activities 2017
Assets		
Current and other assets	$ 20,675,401	$ 19,344,612
Capital assets, net	14,263,386	15,180,623
Total assets	34,938,787	34,525,235
Deferred Outflows of Resources		
Pension	5,214,034	4,692,440
OPEB	135,694	5,526
Total deferred outflows of resources	5,349,728	4,697,966
Liabilities		
Current liabilities	1,214,380	1,191,884
Long-term liabilities:		
Due within one year	324,654	1,061,334
Due within more than one year:		
Net pension liability	15,473,462	22,131,066
Net OPEB liability	3,165,609	4,261,658
Other amounts	2,507,448	2,742,517
Total liabilities	22,685,553	31,388,459
Deferred Inflows of Resources		
Property taxes levied for the next fiscal year	5,914,510	6,382,563
Pension	1,112,567	99,282
OPEB	558,176	-
Total deferred inflows of resources	7,585,253	6,481,845
Net Position		
Net investment in capital assets	13,574,473	13,713,983
Restricted	77,748	69,976
Unrestricted (deficit)	(3,634,512)	(12,431,062)
Total net position	$ 10,017,709	$ 1,352,897

The net pension liability (NPL) is the largest single liability reported by the Center at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the Center adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Center's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Center is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the Center's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the Center is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $5,609,029 to $1,352,897.

Net position was restated at July 1, 2017, as described in Note 3.A. of the notes to the basic financial statements. The table below shows the change in net position for fiscal year 2018 and 2017.

Change in Net Position

	Governmental Activities 2018	Governmental Activities 2017
Revenues		
Program revenues:		
Charges for services and sales	$ 660,731	$ 929,862
Operating grants and contributions	1,601,497	1,652,293
General revenues:		
Property taxes	11,190,076	10,546,220
Grants and entitlements	2,562,554	2,503,523
Investment earnings	78,630	39,782
Other	145,059	124,124
Total revenues	16,238,547	15,795,804

- (Continued)

Change in Net Position - (Continued)

	Governmental Activities 2018	Governmental Activities 2017
Expenses		
Program expenses:		
Instruction:		
Regular	$ 1,054,632	$ 2,190,437
Special	158,603	925,056
Vocational	3,113,880	6,315,405
Adult/Continuing	73,936	407,530
Other	45,486	124,617
Support services:		
Pupil	195,265	609,753
Instructional staff	214,517	214,289
Board of education	86,204	90,709
Administration	563,456	1,385,952
Fiscal	350,562	564,949
Operations and maintenance	856,759	1,736,429
Pupil transportation	10,400	53,958
Central	590,016	1,022,294
Other non-instructional services	177,836	472,419
Extracurricular activities	15,254	35,499
Interest and fiscal charges	66,929	128,002
Total expenses	7,573,735	16,277,298
Change in net position	8,664,812	(481,494)
Net position at beginning of year (restated)	1,352,897	N/A
Net position at end of year	$ 10,017,709	$ 1,352,897

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $5,526 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $655,867. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$ 7,573,735
Negative OPEB expense under GASB 75	655,867
2018 contractually required contributions	12,174
Adjusted 2018 program expenses	8,241,776
Total 2017 program expenses under GASB 45	16,277,298
Decrease in program expenses not related to OPEB	$ (8,035,522)

Governmental Activities

Net position of the Center's governmental activities increased by $8,664,812 for the year ended June 30, 2018. The increase was primarily due to the decrease in expenses related to the net pension liability.

Expenses of the governmental activities decreased $8,703,563 or 53.47%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the Center reported ($5,121,236) in pension expense and ($655,867) in OPEB expense mainly due to these benefit changes.

Property taxes and grants and entitlements represent 84.69% percent of total Center revenues. Program revenues for governmental activities are 13.93% percent of total revenues and are primarily represented by charges for tuition and fees and restricted intergovernmental revenues.

The major program expense for governmental activities is for instruction, which is 58.71% percent of all governmental expenses.

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

Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program expenses				
Instruction:				
Regular	$ 1,054,632	$ 1,054,632	$ 2,190,437	$ 2,190,437
Special	158,603	(515,356)	925,056	329,620
Vocational	3,113,880	2,242,964	6,315,405	5,100,678
Adult/Continuing	73,936	(229,438)	407,530	82,685
Other	45,486	44,378	124,617	124,617
Support services:				
Pupil	195,265	173,155	609,753	582,611
Instructional staff	214,517	199,331	214,289	209,688
Board of education	86,204	86,204	90,709	90,709
Administration	563,456	495,559	1,385,952	1,320,089
Fiscal	350,562	350,562	564,949	564,949
Operations and maintenance	856,759	856,759	1,736,429	1,736,429
Pupil transportation	10,400	10,400	53,958	53,958
Central	590,016	520,073	1,022,294	934,450
Other non-instructional services	177,836	(59,899)	472,419	210,722
Extracurricular activities	15,254	15,254	35,499	35,499
Interest and fiscal charges	66,929	66,929	128,002	128,002
Total expenses	$ 7,573,735	$ 5,311,507	$ 16,277,298	$ 13,695,143

The Career Center's Funds

The Center's governmental funds reported a combined fund balance of $13,249,849, which is more than last year's total balance of $11,468,586. The table below indicates the fund balance and the total change in fund balance as of June 30, 2018 and June 30, 2017.

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Change	Percentage Change
General	$ 12,513,189	$ 10,865,377	$ 1,647,812	15.17 %
Nonmajor governmental	736,660	603,209	133,451	22.12 %
Total	$ 13,249,849	$ 11,468,586	$ 1,781,263	15.53 %

General Fund

The Center's general fund balance increased $1,647,812 during fiscal year 2018.

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

	2018 Amount	2017 Amount	Change	Percentage Change
Revenues				
Taxes	$ 11,193,218	$ 10,580,434	$ 612,784	5.79 %
Tuition	186,347	197,517	(11,170)	(5.66) %
Earnings on investments	82,659	45,901	36,758	80.08 %
Intergovernmental	3,266,942	3,236,720	30,222	0.93 %
Other revenues	316,762	530,020	(213,258)	(40.24) %
Total	$ 15,045,928	$ 14,590,592	$ 455,336	3.12 %
Expenditures				
Instruction	$ 7,442,092	$ 7,499,815	$ (57,723)	(0.77) %
Support services	4,651,425	4,605,824	45,601	0.99 %
Non-instructional services	2,651	173,383	(170,732)	100.00 %
Extracurricular activities	31,470	33,703	(2,233)	(6.63) %
Capital outlay	-	195,390	(195,390)	100.00 %
Debt service	47,226	68,999	(21,773)	(31.56) %
Total	$ 12,174,864	$ 12,577,114	$ (402,250)	(3.20) %

The general fund balance increased during fiscal year 2018 as a result of increased property tax collections and earnings on investments, and a decrease in instructional, capital outlay and debt service expenditures. Debt service decreased due to the retirement of one of the Center's capital lease agreements in the prior year. The District reported capital outlay in 2017 in relation to a new capital lease agreement entered into during the fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal 2018, the Center amended its general fund budget as needed.

Original and final budgeted resources both totaled $14,353,749. Actual budgeted resources were $375,713 higher than original and final budgeted resources.

Original and final budgeted expenditures in the amount of $14,555,979 and $13,976,341, respectively. Actual budgeted expenditures were $3,291 less than final budgeted expenditures. The Center generally over appropriates in case unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2018, the Center had $14,263,386 invested in land, land improvements, buildings and building improvements, furniture and equipment, and vehicles (net of accumulated depreciation); all in governmental activities.

See Note 8 for more information about the Center's capital assets.

Debt Administration

At June 30, 2018, the Center had $2,006,811 in governmental activity debt outstanding. The following table summarizes the Center's long-term obligations at June 30, 2018 and June 30, 2017.

Outstanding Debt, at Year End

	Governmental Activities 2018	Governmental Activities 2017
General obligation bonds	$ -	$ 710,000
Capital lease obligation	125,591	161,208
Promissory note	1,881,220	2,045,713
Total	$ 2,006,811	$ 2,916,921

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

Current Financial Related Activities

The Center covers a diverse area that includes suburban residential areas of Hilliard, Dublin, Plain City, London, West Jefferson, Fairbanks and Madison Plains, as well as farming communities in Franklin, Madison, Union, Delaware and Fayette Counties.

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

The latest five-year forecast as prepared in May 2018 shows a positive cash balance through fiscal year 2022. However, the future financial stability of the Center is not without challenges. The first challenge is for management to ensure resources can be preserved as long as possible by continuing to maintain careful financial planning and prudent fiscal management. The second challenge is based in the local economy and the state funding of education in Ohio.

Contacting the Center’s Financial Management

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

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash, cash	
equivalents and investments	$ 9,655,288
Receivables:	
Property taxes	10,819,786
Accounts	4,284
Accrued interest	3,496
Intergovernmental	138,082
Prepayments	4,631
Materials and supplies inventory	45,752
Inventory held for resale	4,082
Capital assets:	
Nondepreciable capital assets	150,000
Depreciable capital assets, net	14,113,386
Capital assets, net	14,263,386
Total assets	34,938,787
Deferred outflows of resources:	
Pension	5,214,034
OPEB	135,694
Total deferred outflows of resources	5,349,728
Liabilities:	
Accounts payable	39,289
Accrued wages and benefits payable	969,062
Intergovernmental payable	73,253
Pension and postemployment benefits payable	132,613
Accrued interest payable	163
Long-term liabilities:	
Due within one year	324,654
Due in more than one year:	
Net pension liability	15,473,462
Net OPEB liability	3,165,609
Other amounts due in more than one year	2,507,448
Total liabilities	22,685,553
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	5,914,510
Pension	1,112,567
OPEB	558,176
Total deferred inflows of resources	7,585,253
Net position:	
Net investment in capital assets	13,574,473
Restricted for:	
Locally funded programs	291
State funded programs	3,450
Federally funded programs	17,852
Other purposes	56,155
Unrestricted (deficit)	(3,634,512)
Total net position	$ 10,017,709

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

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

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:				
Instruction:				
Regular	$ 1,054,632	$ -	$ -	$ (1,054,632)
Special	158,603	-	673,959	515,356
Vocational	3,113,880	343,039	527,877	(2,242,964)
Adult/continuing	73,936	78,297	225,077	229,438
Other	45,486	-	1,108	(44,378)
Support services:				
Pupil	195,265	15,011	7,099	(173,155)
Instructional staff	214,517	-	15,186	(199,331)
Board of education	86,204	-	-	(86,204)
Administration	563,456	15,659	52,238	(495,559)
Fiscal	350,562	-	-	(350,562)
Operations and maintenance	856,759	-	-	(856,759)
Pupil transportation	10,400	-	-	(10,400)
Central	590,016	62,636	7,307	(520,073)
Operation of non-instructional services:				
Other non-instructional services	2,651	-	-	(2,651)
Food service operations	175,185	146,089	91,646	62,550
Extracurricular activities	15,254	-	-	(15,254)
Interest and fiscal charges	66,929	-	-	(66,929)
Total governmental activities	$ 7,573,735	$ 660,731	$ 1,601,497	(5,311,507)
General revenues:				
Property taxes levied for:				
General purposes				11,190,076
Grants and entitlements not restricted to specific programs				2,562,554
Investment earnings				78,630
Miscellaneous				145,059
Total general revenues				13,976,319
Change in net position				8,664,812
Net position at beginning of year (restated)				1,352,897
Net position at end of year				$ 10,017,709

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash, cash equivalents, and investments	$ 8,865,010	$ 790,278	$ 9,655,288
Receivables:			
Property taxes	10,819,786	-	10,819,786
Accounts	4,235	49	4,284
Accrued interest	3,496	-	3,496
Intergovernmental	14,809	123,273	138,082
Prepayments	4,450	181	4,631
Materials and supplies inventory	45,752	-	45,752
Inventory held for resale	-	4,082	4,082
Due from other funds	61,870	-	61,870
Total assets	$ 19,819,408	$ 917,863	$ 20,737,271
Liabilities:			
Accounts payable	$ 19,386	$ 19,903	$ 39,289
Accrued wages and benefits payable	893,788	75,274	969,062
Compensated absences payable	38,708	-	38,708
Intergovernmental payable	61,537	11,716	73,253
Pension and postemployment benefits payable	120,173	12,440	132,613
Due to other funds	-	61,870	61,870
Total liabilities	1,133,592	181,203	1,314,795
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	5,914,510	-	5,914,510
Delinquent property tax revenue not available	254,201	-	254,201
Intergovernmental revenue not available	3,481	-	3,481
Accrued interest not available	435	-	435
Total deferred inflows of resources	6,172,627	-	6,172,627
Fund balances:			
Nonspendable:			
Materials and supplies inventory	45,752	-	45,752
Prepaids	4,450	181	4,631
Restricted:			
Adult education	-	65,576	65,576
Food service operations	-	13,575	13,575
Other purposes	-	3,741	3,741
Committed:			
Capital improvements	-	706,794	706,794
Assigned:			
Student instruction	15,029	-	15,029
Student and staff support	750,609	-	750,609
Extracurricular activities	4,358	-	4,358
Subsequent year appropriations	49,522	-	49,522
Health insurance	10,677	-	10,677
Other purposes	287,813	-	287,813
Unassigned (deficit)	11,344,979	(53,207)	11,291,772
Total fund balances	12,513,189	736,660	13,249,849
Total liabilities, deferred inflows and fund balances	$ 19,819,408	$ 917,863	$ 20,737,271

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

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

Total governmental fund balances		$ 13,249,849
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,263,386
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	$ 254,201	
Accrued interest receivable	435	
Intergovernmental receivable	3,481	
Total		258,117
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(163)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease obligations	(125,591)	
Compensated absences	(786,583)	
Promissory note	(1,881,220)	
Total		(2,793,394)
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	5,214,034	
Deferred inflows - pension	(1,112,567)	
Net pension liability	(15,473,462)	
Total		(11,371,995)
The net OPEB liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.		
Deferred outflows - OPEB	135,694	
Deferred inflows - OPEB	(558,176)	
Net OPEB liability	(3,165,609)	
Total		(3,588,091)
Net position of governmental activities		$ 10,017,709

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

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

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Property taxes	$ 11,193,218	$ -	$ 11,193,218
Tuition	186,347	156,591	342,938
Earnings on investments	82,659	-	82,659
Charges for services	-	146,089	146,089
Extracurricular	7,046	-	7,046
Classroom materials and fees	56,951	-	56,951
Rental income	4,865	-	4,865
Contributions and donations	3,100	1,400	4,500
Contract services	99,741	-	99,741
Other local revenues	145,059	-	145,059
Intergovernmental - intermediate	-	1,479	1,479
Intergovernmental - state	3,265,912	177,639	3,443,551
Intergovernmental - federal	1,030	713,111	714,141
Total revenues	15,045,928	1,196,309	16,242,237
Expenditures:			
Current:			
Instruction:			
Regular	2,310,487	-	2,310,487
Special	196,798	505,793	702,591
Vocational	4,813,456	15,023	4,828,479
Adult/continuing	69	353,663	353,732
Other	121,282	2,850	124,132
Support services:			
Pupil	480,469	6,781	487,250
Instructional staff	287,107	18,325	305,432
Board of education	98,237	-	98,237
Administration	1,235,105	76,065	1,311,170
Fiscal	553,295	-	553,295
Operations and maintenance	1,110,007	-	1,110,007
Pupil transportation	35,804	-	35,804
Central	851,401	117,062	968,463
Operation of non-instructional services:			
Other operation of non-instructional	2,651	-	2,651
Food service operations	-	254,937	254,937
Extracurricular activities	31,470	-	31,470
Debt service:			
Principal retirement	35,617	874,493	910,110
Interest and fiscal charges	11,609	87,288	98,897
Total expenditures	12,174,864	2,312,280	14,487,144
Excess (deficiency) of revenues over (under) expenditures	2,871,064	(1,115,971)	1,755,093
Other financing sources (uses):			
Sale of assets	26,170	-	26,170
Transfers in	-	1,249,422	1,249,422
Transfers (out)	(1,249,422)	-	(1,249,422)
Total other financing sources (uses)	(1,223,252)	1,249,422	26,170
Net change in fund balances	1,647,812	133,451	1,781,263
Fund balances at beginning of year	10,865,377	603,209	11,468,586
Fund balances at end of year	$ 12,513,189	$ 736,660	$ 13,249,849

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

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

Net change in fund balances - total governmental funds		$ 1,781,263
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	$ 166,192	
Current year depreciation	(1,041,975)	
Total		(875,783)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(41,454)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(3,142)	
Earnings on investments	(4,029)	
Intergovernmental	3,481	
Total		(3,690)
Repayment of bond, note, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	710,000	
Promissory note	164,493	
Capital leases	35,617	
Total		910,110
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	11,593	
Amortization of bond premiums	20,375	
Total		31,968
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resource and therefore are not reported as expenditures in governmental funds.		28,444
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		1,044,677
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		5,121,236
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		12,174
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		655,867
Change in net position of governmental activities		$ 8,664,812

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
From local sources:				
Property taxes	$ 10,642,949	$ 10,642,949	$ 10,921,530	$ 278,581
Tuition	181,594	181,594	186,347	4,753
Earnings on investments	92,578	92,578	95,001	2,423
Rental income	4,741	4,741	4,865	124
Other local revenues	121,477	121,477	124,657	3,180
Intergovernmental - state	3,173,323	3,173,323	3,256,385	83,062
Total revenues	14,216,661	14,216,661	14,588,785	372,124
Expenditures:				
Current:				
Instruction:				
Regular	2,116,549	2,032,265	2,032,051	214
Special	491,034	471,480	471,438	42
Vocational	4,793,766	4,602,872	4,600,645	2,227
Adult/continuing	146	140	138	2
Other	125,862	120,850	120,825	25
Support services:				
Pupil	502,412	482,405	482,298	107
Instructional staff	298,891	286,989	286,921	68
Board of education	157,396	151,128	151,103	25
Administration	1,368,172	1,313,690	1,313,434	256
Fiscal	583,061	559,843	559,787	56
Business	1,041	1,000	1,000	-
Operations and maintenance	1,813,395	1,741,183	1,741,089	94
Pupil transportation	39,399	37,830	37,821	9
Central	924,943	888,111	887,961	150
Extracurricular activities	38,670	37,130	37,116	14
Total expenditures	13,254,737	12,726,916	12,723,627	3,289
Excess of revenues over expenditures	961,924	1,489,745	1,865,158	375,413
Other financing sources (uses):				
Refund of prior year's expenditures	11,566	11,566	11,869	303
Transfers in	100,020	100,020	102,638	2,618
Transfers (out)	(1,301,242)	(1,249,425)	(1,249,423)	2
Sale of capital assets	25,502	25,502	26,170	668
Total other financing sources (uses)	(1,164,153)	(1,112,336)	(1,108,746)	3,590
Net change in fund balance	(202,229)	377,409	756,412	379,003
Fund balance at beginning of year	6,916,085	6,916,085	6,916,085	-
Prior year encumbrances appropriated	152,707	152,707	152,707	-
Fund balance at end of year	$ 6,866,563	$ 7,446,201	$ 7,825,204	$ 379,003

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

		Agency
Assets:		
Equity in pooled cash		
and cash equivalents	$	29,866
Receivables:		
Accounts		1,423
Total assets.	$	31,289
Liabilities:		
Due to others.	$	31,289
Total liabilities	$	31,289

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE CENTER

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

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

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

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

The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan, an insurance purchasing pool and with META Solutions, a jointly governed organization. These organizations are presented in Notes 14 and 15 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

GOVERNMENTAL FUND TYPES

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

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

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

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

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

FIDUCIARY FUND TYPES

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

C. Measurement Focus/Basis of Accounting

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

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

D. Basis of Accounting

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

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

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

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

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

Deferred Inflows/Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditures) until then. The Center has two items that qualify for reporting in this category, deferred charges on pension and OPEB costs are reported in the government-wide statement of net position. The deferred outflows related to pensions and OPEB are explained in Notes 11 and 12.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Center has nonexchange revenue transactions where a receivable has been recorded because property taxes were levied, but the resources cannot be used until a future period. This item has been reported as deferred inflows on the government-wide statement of net position. The deferred inflows of resources related to pension and OPEB are reported on the government-wide Statement of Net Position. See Notes 11 and 12 for further information.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance year 2019 operations, have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred inflows of resources.

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

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

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

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

E. Cash and Investments

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

During fiscal year 2018, investments were limited to federal agency securities, negotiable certificates of deposit (CDs), commercial paper, U.S. Government money market funds, and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

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

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to $82,659, which includes $6,130 assigned from other Center funds.

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

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

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

F. Inventories

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

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items.

H. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition values on the date donated. The Center maintains a capitalization threshold of $1,000. The Center does not have any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

Description	Estimated Lives
Building and building improvements	15 – 50 years
Furniture and equipment	5 – 25 years
Vehicles	5 – 15 years
Land improvements	15 – 99 years

I. Interfund Assets/Liabilities

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

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

J. Compensated Absences

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Capital leases and promissory notes are recognized as a liability on the fund financial statements when due.

L. Interfund Transactions

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

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

M. Fund Balance

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

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

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 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.

N. Net Position

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

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

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

O. Estimates

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

P. Unamortized Bond Premium

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

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

Q. Restricted Assets

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

R. Pensions/Other Postemployment Benefits (OPEB)

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

S. Fair Value

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

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

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the Center's postemployment benefit plan disclosures, as presented in Note 12 to the basic financial statements, and added required supplementary information which is presented on pages 72 through 77 and page 79.

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

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

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

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

	Governmental Activities
Net position as previously reported	$ 5,609,029
Deferred outflows - payments subsequent to measurement date	5,526
Net OPEB liability	(4,261,658)
Restated net position at July 1, 2017	$ 1,352,897

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

B. Deficit Fund Balances

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

Nonmajor funds	Deficit
Vocational education	$ 48,734
Miscellaneous federal grants	4,473

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 - CASH AND INVESTMENTS

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

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

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

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

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

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At June 30, 2018, the Center had $1,450 in cash on hand. This amount is reported as "equity in pooled cash, cash equivalents and investments" on the basic financial statements.

B. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all Center deposits was $3,086,246 and the bank balance of all District deposits was $3,369,534. Of the bank balance, $250,000 was covered by the FDIC and $3,119,534 was covered by the Ohio Pooled Collateral System (OPCS).

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Center's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the Center's financial institution was approved for a reduced collateral rate of 100 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Center to a successful claim by the FDIC.

C. Investments

As of June 30, 2018, the Center had the following investments and maturities:

		Investment Maturities				
Measurement/ Investment type	Measurement Amount	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Amortized Cost:						
STAR Ohio	$ 51	$ 51	$ -	$ -	$ -	$ -
Fair Value:						
FHLM	296,880	-	296,880	-	-	-
FNMA	776,354	199,096	-	197,044	-	380,214
U.S. Treasury bills	970,018	970,018	-	-	-	-
U.S. Government money market	17,290	17,290	-	-	-	-
Negotiable CDs	487,857		-	244,902	-	242,955
Commercial paper	4,049,008	4,049,008	-	-	-	-
Total	$ 6,597,458	$ 5,235,463	$ 296,880	$ 441,946	$ -	$ 623,169

The weighted average maturity of investments is 0.60 years.

The Center's investments in STAR Ohio, U.S. Government money market accounts are valued using quoted market prices in active markets (Level 1 inputs). The Center's investments in federal agency securities (FHLM, FNMA), commercial paper, U.S. Treasury bills and negotiable CDs are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: Interest rate risk arises 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.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The Center's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The Center's investments in commercial paper and U.S. Treasury bills were rated A-1+/A-1 and P-1 by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned the U.S. Government money market mutual funds and STAR Ohio an AAAm money market rating. The Center's negotiable certificates of deposit were not rated and are insured by FDIC. The Center has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

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

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

Measurement/ Investment type	Measurement Amount	% to Total
Amortized Cost:		
STAR Ohio	$ 51	0.01
Fair Value:		
FHLM	296,880	4.50
FNMA	776,354	11.77
U.S. Treasury bills	970,018	14.70
U.S. Government money market	17,290	0.26
Negotiable CDs	487,857	7.39
Commercial paper	4,049,008	61.37
Total	$ 6,597,458	100.00

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

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

Cash and investments per note	
Carrying amount of deposits	$ 3,086,246
Investments	6,597,458
Cash with fiscal agents	1,450
Total	$ 9,685,154

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Cash and investments per statement of net position	
Governmental activities	$ 9,655,288
Agency funds	29,866
Total	$ 9,685,154

NOTE 5 - PROPERTY TAXES

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

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

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

Accrued property taxes receivable includes the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of fiscal year end, and for which there was an enforceable legal claim. Although, total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The receivable is offset by a credit to deferred inflows for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2018 was $4,651,075.

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

The full tax rate at the fiscal year ended June 30, 2018 for operations was $1.60 per $1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2018 taxes were collected were as follows:

NOTE 5 - PROPERTY TAXES - (Continued)

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 6,595,906,550	95.48	$ 7,129,222,880	95.61
Public utility personal	312,032,580	4.52	327,527,650	4.39
Total	$ 6,907,939,130	100.00	$ 7,456,750,530	100.00
Tax rate per $1,000 of assessed valuation	$ 1.60		$ 1.60	

NOTE 6 - RECEIVABLES

Receivables at June 30, 2018 consisted of taxes, interest, accounts (tuition and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of federal funds.

A summary of the receivables follows:

Governmental Activities	Amount
Property taxes	$ 10,819,786
Accounts	4,284
Interest	3,496
Intergovernmental	138,082
Total Governmental Activities	$ 10,965,648

NOTE 7 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Enterprise Zones

Other governments entered into property tax abatement agreements with property and business owners under Enterprise Zone Agreements (“EZAs”) and the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the Career Center. The EZAs and CRA program are directive incentive tax exemption programs benefiting property and business owners who renovate or construct new buildings or bring new jobs into the area. Under these programs, the other governments designated areas to encourage revitalization of the existing housing stock, the development of new structures, and economic growth. Within the taxing districts of the Career Center, certain municipal governments located in the counties of Franklin, Madison and Union have entered into such agreements. Under the agreements, the Center’s property taxes were reduced by $44,332 in Franklin County, $130,630 in Madison County and $4,157 in Union County during fiscal year 2018.

NOTE 8 - CAPITAL ASSETS

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

	Balance June 30, 2017	Additions	Disposals	Balance June 30, 2018
Governmental Activities				
Nondepreciable capital assets:				
Land	$ 150,000	$ -	$ -	$ 150,000
Total nondepreciable capital assets	150,000	-	-	150,000
Depreciable capital assets:				
Land improvements	104,016	-	-	104,016
Building and building improvements	22,482,599	-	-	22,482,599
Furniture and equipment	8,566,527	166,192	(424,155)	8,308,564
Vehicles	282,158	-	-	282,158
Total depreciable capital assets	31,435,300	166,192	(424,155)	31,177,337
Accumulated depreciation:				
Land improvements	(21,307)	(2,173)	-	(23,480)
Building and building improvements	(10,921,725)	(532,557)	-	(11,454,282)
Furniture and equipment	(5,259,639)	(492,119)	382,701	(5,369,057)
Vehicles	(202,006)	(15,126)	-	(217,132)
Total accumulated depreciation	(16,404,677)	(1,041,975)	382,701	(17,063,951)
Total depreciable capital assets, net	15,030,623	(875,783)	(41,454)	14,113,386
Total governmental activities capital assets, net	$ 15,180,623	$ (875,783)	$ (41,454)	$ 14,263,386

Depreciation expense was charged to governmental functions as follows:

Instructional:	
Regular	$ 23,098
Special	4,072
Vocational	818,849
Adult/continuing	321
Support services:	
Pupil	3,323
Instructional staff	89,238
Administration	2,392
Fiscal	319
Operation and maintenance of plant	79,828
Pupil transportation	1,263
Central	1,344
Food Service	17,928
Total depreciation	$ 1,041,975

NOTE 9 - LONG-TERM OBLIGATIONS

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

	(Restated) Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due in One Year
Governmental Activities					
General obligation bonds	$ 710,000	$ -	$ (710,000)	$ -	$ -
Promissory note	2,045,713	-	(164,493)	1,881,220	169,905
Capital leases payable	161,208	-	(35,617)	125,591	38,573
Net pension liability	22,131,066	-	(6,657,604)	15,473,462	-
Net OPEB liability	4,261,658	-	(1,096,049)	3,165,609	-
Compensated absences payable	866,555	111,252	(152,516)	825,291	116,176
Total	$ 30,176,200	$ 111,252	$ (8,816,279)	$ 21,471,173	$ 324,654

Payments of principal and interest relating to the bonds and the capital lease agreement are recorded as expenditures in the bond retirement fund (a nonmajor governmental fund) and general fund, respectively. Compensated absences are paid from the general fund for all funds except the adult education fund (a nonmajor governmental fund).

See Notes 11 and 12 for further discussion of the net pension liability and the net OPEB liability, respectively.

On September 27, 2007 the Board of Education issued $6,590,000 in un-voted general obligation bonds for the purpose of renovating, constructing and improving the existing school facilities. A portion of these bonds, $650,000, were for the purchase and installation of energy conservation measures, which were initially, paid from existing general fund monies. As a result, proceeds of $650,000 were recorded in the general fund. Bond issuance costs of $121,375 were incurred in conjunction with the issuance. The effective interest rate on the bonds outstanding is 3.8%. The bonds matured in fiscal year 2018.

On February 19, 2016 the Board of Education entered into a promissory note with the Richwood Banking Company for $2,254,610 in order to fund an energy conservation project. The note carries an interest rate of 3.75%. The note will mature on November 20, 2027. At June 30, 2018, the Center has capitalized assets with a carrying value of $563,322, that were related to the project.

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of the future annual debt service requirements for the promissory note.

Fiscal Year	Principal	Interest	Total
2019	$ 169,905	$ 67,676	$ 237,581
2020	176,387	61,194	237,581
2021	183,116	54,465	237,581
2022	190,102	47,479	237,581
2023	197,355	40,226	237,581
2024 - 2027	867,641	82,683	950,324
2028	96,714	1,745	98,459
Total	$ 1,881,220	$ 355,468	$ 2,236,688

NOTE 10 - CAPITAL LEASES

The Center entered into a new capital lease agreement in fiscal year 2017. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments made from the General fund on the leases in 2018 were $35,617.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments of June 30, 2018:

	Year	Governmental Activities
	2019	$ 47,227
	2020	47,227
	2021	47,227
	Total	141,680
Less: Amount representing interest		(16,089)
Present value of net minimum lease payments		$ 125,591

NOTE 11 - 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The Center's contractually required contribution to SERS was $171,926 for fiscal year 2018. Of this amount, $4,011 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The Center's contractually required contribution to STRS was $872,751 for fiscal year 2018. Of this amount, $118,648 is reported as pension and postemployment benefits payable.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.04836520%	0.05554080%	
Proportion of the net pension liability current measurement date	0.04092930%	0.05484281%	
Change in proportionate share	-0.00743590%	-0.00069799%	
Proportionate share of the net pension liability	$ 2,445,435	$ 13,028,027	$ 15,473,462
Pension expense	$ (212,635)	$ (4,908,601)	$ (5,121,236)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 105,244	$ 503,080	$ 608,324
Changes of assumptions	126,454	2,849,373	2,975,827
Difference between Center contributions and proportionate share of contributions/ change in proportionate share	29,007	556,199	585,206
Center contributions subsequent to the measurement date	171,926	872,751	1,044,677
Total deferred outflows of resources	$ 432,631	$ 4,781,403	$ 5,214,034

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 105,001	$ 105,001
Net difference between projected and actual earnings on pension plan investments	11,606	429,941	441,547
Difference between Center contributions and proportionate share of contributions/ change in proportionate share	353,463	212,556	566,019
Total deferred inflows of resources	$ 365,069	$ 747,498	$ 1,112,567

$1,044,677 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (26,538)	$ 708,122	$ 681,584
2020	34,427	1,292,988	1,327,415
2021	(55,246)	975,099	919,853
2022	(57,007)	184,945	127,938
Total	$ (104,364)	$ 3,161,154	$ 3,056,790

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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

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

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

***Sensitivity of the 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 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Center's proportionate share of the net pension liability	$ 3,393,629	$ 2,445,435	$ 1,651,130

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS Ohio

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

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

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

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the 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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Center's proportionate share of the net pension liability	$ 18,675,233	$ 13,028,027	$ 8,271,102

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the Center's surcharge obligation was $5,806.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Center's contractually required contribution to SERS was $12,174 for fiscal year 2018. Of this amount, $5,955 is reported as pension and postemployment benefits payable.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Center's proportion of the net OPEB liability was based on the Center's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.04530366%	0.05554080%	
Proportion of the net OPEB liability current measurement date	0.03822450%	0.05484281%	
Change in proportionate share	-0.00707916%	-0.00069799%	
Proportionate share of the net OPEB liability	$ 1,025,845	$ 2,139,764	$ 3,165,609
OPEB expense	$ 2,407	$ (658,274)	$ (655,867)

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ -	$ 123,520	$ 123,520
Center contributions subsequent to the measurement date	12,174	-	12,174
Total deferred outflows of resources	$ 12,174	$ 123,520	$ 135,694

	SERS	STRS	Total
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	$ 2,709	$ 91,458	$ 94,167
Changes of assumptions	97,347	172,365	269,712
Difference between Center contributions and proportionate share of contributions/ change in proportionate share	162,302	31,995	194,297
Total deferred inflows of resources	$ 262,358	$ 295,818	$ 558,176

$12,174 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	$ (94,753)	$ (36,339)	$ (131,092)
2020	(94,753)	(36,339)	(131,092)
2021	(72,174)	(36,339)	(108,513)
2022	(677)	(36,337)	(37,014)
2023	(1)	(13,474)	(13,475)
Thereafter		(13,470)	(13,470)
Total	$ (262,358)	$ (172,298)	$ (434,656)

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
Center's proportionate share of the net OPEB liability	$ 1,238,839	$ 1,025,845	$ 857,100

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
Center's proportionate share of the net OPEB liability	$ 832,396	$ 1,025,845	$ 1,281,878

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Center's proportionate share of the net OPEB liability	$ 2,872,599	$ 2,139,764	$ 1,560,585

	1% Decrease	Current Trend Rate	1% Increase
Center's proportionate share of the net OPEB liability	$ 1,486,616	$ 2,139,764	$ 2,999,383

NOTE 13 - COMPENSATED ABSENCES

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

Years of Service	Vacation Days
After 1 Year	10
5 or more Years	15
10 or more Years	20

All administrative personnel earn twenty days vacation annually.

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

NOTE 14 - RISK MANAGEMENT

A. General Risk

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Center has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

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

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

The Center maintains replacement cost insurance on buildings and contents in the amount of $57,490,214 (subject to scheduled limits). The Center maintains other property insurance for valuable papers, electronic data processing equipment, and mechanical, electrical and pressure equipment. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions of coverage from the prior years.

B. Workers' Compensation-Public Entity Risk Pool

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

NOTE 14 - RISK MANAGEMENT - (Continued)

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

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

B. Employee Insurance

The Center provides life insurance and accidental death and dismemberment insurance to its employees through the Metropolitan Educational Council insurance purchasing program. The Center has elected to provide employee health coverages through membership in the Southwestern Ohio Educational Purchasing Council. Medical/surgical benefits are through United HealthCare, Prescription drug coverage through CVSCaremark, dental benefits through Delta Dental and Vision insurance through VSP.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META) Solutions

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

NOTE 16 - COMMITMENTS

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

Fund	Year-End
General fund	$ 768,105
Other governmental	35,328
Total	$ 803,433

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.

	Capital Improvements
Set-aside balance June 30, 2017	$ -
Current year set-aside requirement	133,822
Excess qualified expenditures from prior years	(173,125)
Total	$ (39,303)
Balance carried forward to fiscal year 2019	$ -
Set-aside balance June 30, 2018	$ -

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to an assignment of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Investments are reported at fair value (GAAP basis) as opposed to cost (budget basis); and,

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

Net Change in Fund Balance

	General fund
Budget basis	$ 756,412
Net adjustment for revenue accruals	266,675
Net adjustment for expenditure accruals	56,480
Net adjustment for other sources/uses	(114,507)
Funds budgeted elsewhere	(118,740)
Adjustment for encumbrances	801,492
GAAP basis	$ 1,647,812

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

NOTE 19 - INTERFUND TRANSACTIONS

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

Transfers from:	Transfers to:	Amount
General Fund	Nonmajor governmental funds:	
	Adult education special revenue	$ 137,641
	Debt service fund	961,781
	Special building capital projects fund	150,000
	Total transfers	$ 1,249,422

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.

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

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

NOTE 19 - INTERFUND TRANSACTIONS- (Continued)

B. Interfund balances at June 30, 2018, as reported on the fund financial statements, consist of the following amounts due to/from other funds:

Receivable fund	Payable funds	Amount
General fund	Nonmajor special revenue funds:	
	Adult basic education	$ 25,399
	Vocational education	36,471
Total due to/due from other funds		$ 61,870

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

NOTE 20 - CONTINGENCIES

A. Grants

The Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2018.

B. Litigation

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

C. Foundation Funding

Center foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, the Center owes a net amount of $20,967 to ODE for adjustments related to fiscal year 2018. This amount has been included in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
Center's proportion of the net pension liability	0.04092930%	0.04836520%	0.04728010%	0.04867200%	0.04867200%
Center's proportionate share of the net pension liability	$ 2,445,435	$ 3,539,886	$ 2,697,848	$ 2,463,262	$ 2,894,268
Center's covered payroll	$ 1,370,500	$ 1,500,364	$ 1,423,376	$ 1,414,300	$ 1,516,900
Center's proportionate share of the net pension liability as a percentage of its covered payroll	178.43%	235.94%	189.54%	174.17%	190.80%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
Center's proportion of the net pension liability	0.05484281%	0.05554080%	0.05231056%	0.52677540%	0.05267754%
Center's proportionate share of the net pension liability	$ 13,028,027	$ 18,591,180	$ 14,457,109	$ 12,813,001	$ 15,262,763
Center's covered payroll	$ 6,016,536	$ 5,920,707	$ 5,457,729	$ 5,382,192	$ 5,485,200
Center's proportionate share of the net pension liability as a percentage of its covered payroll	216.54%	314.00%	264.89%	238.06%	278.25%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 171,926	$ 191,870	$ 210,051	$ 187,601
Contributions in relation to the contractually required contribution	(171,926)	(191,870)	(210,051)	(187,601)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered payroll	$ 1,273,526	$ 1,370,500	$ 1,500,364	$ 1,423,376
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014		2013		2012		2011		2010		2009	
$	196,022	$	209,939	$	196,818	$	181,232	$	188,275	$	127,781
	(196,022)		(209,939)		(196,818)		(181,232)		(188,275)		(127,781)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,414,300	$	1,516,900	$	1,463,331	$	1,441,782	$	1,390,510	$	1,298,587
	13.86%		13.84%		13.45%		12.57%		13.54%		9.84%

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 872,751	$ 842,315	$ 828,899	$ 764,082
Contributions in relation to the contractually required contribution	(872,751)	(842,315)	(828,899)	(764,082)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered payroll	$ 6,233,936	$ 6,016,536	$ 5,920,707	$ 5,457,729
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2014	2013	2012	2011	2010	2009
	$ 699,685	$ 713,076	$ 717,572	$ 726,018	$ 745,911	$ 695,650
	(699,685)	(713,076)	(717,572)	(726,018)	(745,911)	(695,650)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 5,382,192	$ 5,485,200	$ 5,519,785	$ 5,584,754	$ 5,737,777	$ 5,351,154
	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2018	2017
Center's proportion of the net OPEB liability	0.03822450%	0.04530366%
Center's proportionate share of the net OPEB liability	$ 1,025,845	$ 1,291,322
Center's covered payroll	$ 1,370,500	$ 1,500,364
Center's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.85%	86.07%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2018	2017
Center's proportion of the net OPEB liability	0.05484281%	0.05554080%
Center's proportionate share of the net OPEB liability	$ 2,139,764	$ 2,970,336
Center's covered payroll	$ 6,016,536	$ 5,920,707
Center's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.56%	50.17%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.33%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 12,174	$ 5,526	$ 7,010	$ 18,005
Contributions in relation to the contractually required contribution	(12,174)	(5,526)	(7,010)	(18,005)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered payroll	$ 1,273,526	$ 1,370,500	$ 1,500,364	$ 1,423,376
Contributions as a percentage of covered payroll	0.96%	0.40%	0.47%	0.82%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014		2013		2012		2011		2010		2009	
$	20,752	$	23,161	$	51,492	$	70,850	$	70,850	$	70,850
	(20,752)		(23,161)		(51,492)		(70,850)		(70,850)		(70,850)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,414,300	$	1,516,900	$	1,463,331	$	1,441,782	$	1,390,510	$	1,298,587
	1.47%		1.53%		3.52%		4.91%		5.10%		5.46%

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered payroll	$ 6,233,936	$ 6,016,536	$ 5,920,707	$ 5,457,729
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014		2013		2012		2011		2010		2009	
$	55,583	$	54,048	$	54,601	$	52,906	$	53,365	$	49,615
	(55,583)		(54,048)		(54,601)		(52,906)		(53,365)		(49,615)
$	-	$	-	$	-	$	-	$	-	$	-
$	5,382,192	$	5,485,200	$	5,519,785	$	5,584,754	$	5,737,777	$	5,351,154
	1.00%		1.00%		1.00%		1.00%		1.00%		1.00%

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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

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TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass Through Grantor / Program Title	Federal CFDA Number	Grant Year	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through The Ohio Department of Education:				
Child Nutrition Cluster:				
National School Breakfast Program	10.553	FY2018	$ 11,060	$ 11,060
National School Lunch Program	10.555	FY2018	58,820	58,820
Cash Assistance			69,880	69,880
Non-Cash Assistance (Food Distribution)	10.555		19,883	19,883
Total Child Nutrition Cluster			89,763	89,763
Total U.S. Department of Agriculture			89,763	89,763
U.S. DEPARTMENT OF EDUCATION				
Direct Programs:				
Rural Education Assistance Program	84.358	FY2017	14,061	14,061
Rural Education Assistance Program	84.358	FY2018	70,803	70,803
Total Rural Education Assistance Program			84,864	84,864
Passed Through The Ohio Department of Education:				
Adult Education - Basic Grants to States	84.002	FY2017	75,081	75,081
Adult Education - Basic Grants to States	84.002	FY2018	225,102	225,102
Total Adult Education - Basic Grants to States			300,183	300,183
Career and Technical Education - Basic Grants to States	84.048	FY2017	61,340	61,340
Career and Technical Education - Basic Grants to States	84.048	FY2018	341,906	341,906
Total Career and Technical Education - Basic Grants to States			403,246	403,246
Total U.S. Department of Education			788,293	788,293
Total Federal Financial Assistance			$ 878,056	$ 878,056

The accompanying notes are an integral part of this schedule

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of **Tolles Career and Technical Center,** Madison County, Ohio (the Center) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, or changes in net position of the Center.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Center has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

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

December 31, 2018

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Tolles Career and Technical Center**, Madison County, (the Center) as of and for the year ended June 30, 2018 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 31, 2018*,* wherein we noted the School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the Center's management in a separate letter dated December 31, 2018.

Purpose of this Report

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

Perry & Associates CPA's A.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

December 31, 2018

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited **Tolles Career and Technical Center's** (the Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Tolles Career and Technical Center's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Center's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Tolles Career and Technical Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

TOLLES CAREER AND TECHNICAL CENTER
MADISON COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Career and Technical Education – Basic Grants to States (Perkins) CFDA #84.048
(d)(1)(viii)	**Dollar Threshold: Type A/B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

Finding Number	Finding Summary	Status	Additional Information
2017-001	Financial Reporting	Corrected	

OHIO AUDITOR OF STATE
KEITH FABER

TOLLES CAREER AND TECHNICAL CENTER

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 21, 2019