



Dave Yost • Auditor of State

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY
FOR THE YEAR ENDED JUNE 30, 2017**

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LICKING COUNTY
FOR THE YEAR ENDED JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Career and Technology Education Centers, Licking County, Ohio (C-TEC), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise C-TEC'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 C-TEC'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 C-TEC's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Career and Technology Education Centers, Licking County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Adult Education Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on C-TEC's basic financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017, on our consideration of C-TEC'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 C-TEC's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2017

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Career and Technology Education Centers of Licking County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited*

The discussion and analysis of the Career and Technology Education Centers of Licking County's (C-TEC) financial performance provides an overall review of C-TEC's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at C-TEC's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of C-TEC's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- Net position of governmental activities increased \$1,550,802.
- Capital assets decreased \$861,726 primarily due to current year capital asset depreciation in the amount of \$1,223,802 exceeding the current year additions in the amount of \$478,419.
- General revenues accounted for \$14,830,106 or 77 percent of total revenues of \$19,197,183. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$4,367,077, or 23 percent of total revenues.
- C-TEC had \$17,646,381 in expenses related to governmental activities; only \$4,367,077 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues of \$14,830,106 were adequate to provide for these activities.

Using this Annual Financial Report

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

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

Reporting C-TEC as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by C-TEC to provide programs and activities for students, the view of C-TEC as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Career and Technology Education Centers of Licking County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017 Unaudited

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

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

Reporting C-TEC's Most Significant Funds

Fund Financial Statements

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

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

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

C-TEC as a Whole

Recall that the Statement of Net Position provides the perspective of C-TEC as a whole. Table 1 provides a summary of C-TEC's net position for 2017 compared to 2016.

Career and Technology Education Centers of Licking County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

Table 1
Net Position

	Governmental Activities		
	2017	2016	Change
Assets			
Current and Other Assets	\$26,358,601	\$24,582,107	\$1,776,494
Capital Assets	33,691,132	34,552,858	(861,726)
<i>Total Assets</i>	<u>60,049,733</u>	<u>59,134,965</u>	<u>914,768</u>
Deferred Outflows of Resources			
Pension	5,030,012	2,075,592	2,954,420
Liabilities			
Current and Other Liabilities	1,334,095	1,161,705	172,390
Long-Term Liabilities:			
Due Within One Year	2,020,473	1,875,530	144,943
Net Pension Liability	23,818,996	18,696,471	5,122,525
Other Amounts Due in More Than One Year	18,457,051	20,450,560	(1,993,509)
<i>Total Liabilities</i>	<u>45,630,615</u>	<u>42,184,266</u>	<u>3,446,349</u>
Deferred Inflows of Resources			
Deferred Charge on Refunding	13,054	15,062	(2,008)
Property Taxes	8,340,074	8,260,969	79,105
Pension	0	1,205,060	(1,205,060)
<i>Total Deferred Inflows of Resources</i>	<u>8,353,128</u>	<u>9,481,091</u>	<u>(1,127,963)</u>
Net Position			
Net Investment in Capital Assets	14,359,828	13,401,697	958,131
Restricted	1,510,703	1,610,550	(99,847)
Unrestricted (Deficits)	(4,774,529)	(5,467,047)	692,518
Total Net Position	<u>\$11,096,002</u>	<u>\$9,545,200</u>	<u>\$1,550,802</u>

The net pension liability (NPL) is one of the largest single liabilities reported by C-TEC at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of C-TEC's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Career and Technology Education Centers of Licking County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

GASB 68 requires the net pension liability to equal C-TEC's proportionate share of each plan's collective:

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

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

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

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

Overall current and other assets increased in the amount of \$1,776,494. The increase is mainly due to an increase in cash and cash equivalents in the amount of \$1,721,894, an increase in intergovernmental receivables in the amount of \$46,077, and an increase in property taxes receivable in the amount of \$51,356 which were offset by a decrease in accounts receivables in the amount of \$43,606. The increase in cash and cash equivalents is primarily due to C-TEC's revenues exceeding current expenses. C-TEC is still following guidelines for spending that were developed in fiscal year 2010 when a reduction in force was implemented. The State has continued to fund Career Centers at the same level as fiscal year 2011 for fiscal years 2012 and 2013, at fiscal year 2013 funding levels for fiscal years 2014 and 2015, and at fiscal year 2015 funding levels for fiscal year 2016 and 2017. This stable level of State funding and the reduction in force implemented by C-TEC has allowed cash and cash equivalents to increase each year for fiscal years 2012 through 2017. Intergovernmental receivable increased in fiscal year 2017 due to various reasons. During fiscal year 2017, a reimbursement from the college credit plus program resulted in an increase of \$44,286. In addition, C-TEC realized an increase in the adult education program in the amount of \$41,114, and also due to a refund from the Bureau of Workers' Compensation in the amount of

Career and Technology Education Centers of Licking County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

\$28,149. The increases in intergovernmental receivables were offset by decreases in the area of Carl Perkins Grants. The Carl Perkins Secondary Grant receivable decreased in the amount of \$38,166 and the Carl Perkins Adult Grant receivable decreased in the amount of \$18,376. C-TEC also realized a decrease in the summer youth grant with Job and Family Services in the amount of \$12,456. Property taxes receivable increased due to increases in the assessed valuations. Accounts receivable decreased due to the Adult Education department removing old accounts from their active receivable listings.

The \$861,726 decrease in capital assets is primarily due to current year depreciation in the amount of \$1,223,802 exceeding current year capital asset additions in the amount of \$478,419.

Current and other liabilities increased in the amount of \$172,390 from fiscal year 2016 to fiscal year 2017. The majority of the increases were in the areas of accounts payable in the amount of \$44,603, contracts payable in the amount of \$69,735, and matured compensated absences in the amount of \$28,251. The contract payable increase was due to roofing repairs that were started in June of 2017. The long-term liabilities due within one year increased \$144,943 for fiscal year 2017 due to an increase in principal payments maturing within one year compared to fiscal year 2016. Long-term liabilities due in more than one year decreased \$1,993,509 primarily due to fiscal year 2017 debt principal payments in the amount of \$1,848,333 and bond premium amortization in the amount of \$67,697. Compensated absences reflect a increase of \$67,464 in fiscal year 2017. See Note 14 for additional information concerning long-term liabilities.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2017, and comparisons to fiscal year 2016.

Table 2
Changes in Net Position

	Governmental Activities		
	2017	2016	Change
Revenues			
Program Revenues			
Charges for Services	\$2,461,481	\$2,569,018	(\$107,537)
Operating Grants, Contributions and Interest	1,905,596	1,793,953	111,643
<i>Total Program Revenues</i>	<u>4,367,077</u>	<u>4,362,971</u>	<u>4,106</u>
General Revenue			
Property Taxes	9,357,328	9,304,783	52,545
Gain on Sale of Capital Asset	0	6,087	(6,087)
Grants and Entitlements	5,270,496	5,153,153	117,343
Investment Earnings	90,086	242,116	(152,030)
Miscellaneous	112,196	49,870	62,326
<i>Total General Revenue</i>	<u>14,830,106</u>	<u>14,756,009</u>	<u>74,097</u>
<i>Total Revenues</i>	<u>\$19,197,183</u>	<u>\$19,118,980</u>	<u>\$78,203</u>

(Continued)

Career and Technology Education Centers of Licking County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

Table 2
Changes in Net Position (Continued)

	Governmental Activities		
	2017	2016	Change
Program Expenses			
Instruction			
Regular	\$361,912	\$352,030	\$9,882
Special	725,066	636,414	88,652
Vocational	6,265,901	5,662,774	603,127
Adult/Continuing	2,903,386	2,505,398	397,988
Support Services			
Pupils	720,898	694,295	26,603
Instructional Staff	1,668,071	1,566,141	101,930
Board of Education	28,141	33,488	(5,347)
Administration	1,113,339	961,148	152,191
Fiscal	468,361	398,916	69,445
Business	317,645	303,520	14,125
Operation and Maintenance of Plant	1,731,992	1,688,443	43,549
Pupil Transportation	3,547	9,292	(5,745)
Central	290,035	308,795	(18,760)
Operation of Non-Instructional Services			
Food Service Operations	209,251	222,301	(13,050)
Other	46,455	46,886	(431)
Extracurricular Activities	88,489	85,921	2,568
Interest and Fiscal Charges	703,892	618,098	85,794
<i>Total Expenses</i>	<u>17,646,381</u>	<u>16,093,860</u>	<u>1,552,521</u>
<i>Change in Net Position</i>	<u>1,550,802</u>	<u>3,025,120</u>	<u>(1,474,318)</u>
<i>Net Position Beginning of Year</i>	<u>9,545,200</u>	<u>6,520,080</u>	<u>3,025,120</u>
Net Position End of Year	<u><u>\$11,096,002</u></u>	<u><u>\$9,545,200</u></u>	<u><u>\$1,550,802</u></u>

C-TEC's net position increased \$1,550,802. Revenues increased in the amount of \$78,203 during fiscal year 2017 when compared to fiscal year 2016. Operating grants, contributions, and interest and grants and entitlements both increased during fiscal year 2017 due to increases in funding from the State and federal governments. The decrease in the area of charges for services in the amount of \$107,537 was attributed to C-TEC revising collectible accounts in the area of adult education. Investment earnings decreased \$152,030 due to C-TEC experiencing an exceptionally high year in investment earnings during fiscal year 2016 which did not reoccur in fiscal year 2017.

The increase in expenses is mainly attributable to the increase in C-TEC's share of the net pension liability. Instructional programs comprise approximately 58 percent of total governmental program expenses. Of the instructional expenses, approximately 4 percent is for regular instruction, 7 percent for special instruction, 61 percent for vocational instruction, and 28 percent for adult/continuing instruction. Support services comprise approximately 36 percent of total governmental program expenses.

Career and Technology Education Centers of Licking County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

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

**Table 3
Governmental Activities**

	2017 Total Cost of Services	2017 Net Cost of Services	2016 Total Cost of Services	2016 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$361,912	\$247,435	\$352,030	\$250,835
Special	725,066	306,444	636,414	326,644
Vocational	6,265,901	5,977,879	5,662,774	5,363,975
Adult/Continuing	2,903,386	769,438	2,505,398	314,671
Support Services:				
Pupils	720,898	453,081	694,295	431,523
Instructional Staff	1,668,071	1,353,455	1,566,141	1,232,309
Board of Education	28,141	28,141	33,488	33,488
Administration	1,113,339	982,933	961,148	824,372
Fiscal	468,361	468,361	398,916	398,916
Business	317,645	54,810	303,520	40,206
Operation and Maintenance of Plant	1,731,992	1,727,709	1,688,443	1,686,203
Pupil Transportation	3,547	3,547	9,292	9,292
Central	290,035	120,067	308,795	126,719
Operation of Non-Instructional Services				
Food Service Operations	209,251	(38,111)	222,301	(35,941)
Other	46,455	46,455	46,886	46,886
Extracurricular Activities	88,489	73,768	85,921	62,693
Interest and Fiscal Charges	703,892	703,892	618,098	618,098
Totals	<u>\$17,646,381</u>	<u>\$13,279,304</u>	<u>\$16,093,860</u>	<u>\$11,730,889</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For 2017, only 25 percent of the governmental activities performed by C-TEC are supported through program revenues such as charges for services, grants, and contributions. The remaining 75 percent is provided through taxes and entitlements.

C-TEC Funds

C-TEC's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,413,831, expenditures of \$17,714,082, and other financing sources (uses) of \$24,740.

General Fund

The fund balance of the General Fund at June 30, 2017 is \$13,514,666, an increase of \$1,495,318 from fiscal year 2016. The majority of the increase is the result of C-TEC's Board of Education continuing to follow cost saving measures implemented during fiscal years 2010 that have continued through 2017. The Board of Education was aware of the financial stress that C-TEC was experiencing and as a result,

Career and Technology Education Centers of Licking County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017 Unaudited

implemented several cost saving measures which included a reduction in force which was approved on March 25, 2010. In addition, the State continued to provide State stable funding levels over the years since fiscal year 2011. The savings from the reduction in force beginning in fiscal year 2011 and the continued level of State funding have resulted in continual increases in the General Fund's fund balance since fiscal year 2010. Property taxes revenue reflects a slight increase during fiscal year 2017 due to an increase in property tax collections and decreases in delinquent taxes.

Other Governmental Major Funds

Adult Education Fund

The fund balance of the Adult Education Special Revenue Fund at June 30, 2017 is \$707,187, a decrease of \$111,689 from the prior year. The decrease is due primarily to a decrease in tuition and fees revenue due to decreases in adult education class enrollment.

Bond Retirement Fund

The fund balance of the Bond Retirement Debt Service Fund at June 30, 2017 is \$1,171,584, an increase of \$57,619 from the prior year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, C-TEC's original appropriations decreased by \$1,100,000 to a final appropriations amount of \$11,996,434. C-TEC also found it necessary to reallocate appropriations between functions throughout the year. Final Appropriations exceeded actual expenditures by \$50,891.

C-TEC received \$306,110 more in revenues, including other financing sources proceeds from sale of capital assets, than what was expected during fiscal year 2017. Actual revenue, including other financing sources of proceeds from sale of capital assets, was \$13,293,093 compared to final estimates of \$12,986,983.

The C-TEC's ending general fund budgetary balance was \$12,918,048.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, C-TEC had \$33,691,132 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2017 balances compared to 2016.

Career and Technology Education Centers of Licking County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited*

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

	<u>Government Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$107,951	\$107,951
Construction in Progress	244,073	0
Land Improvements	10,848	11,746
Buildings and Improvements	30,309,052	31,198,677
Furniture and Equipment	2,894,005	3,124,440
Vehicles	125,203	110,044
Totals	\$33,691,132	\$34,552,858

See Note 9 for additional information regarding capital assets.

Debt

At June 30, 2017, C-TEC had \$19,831,364 in bonded debt outstanding (including premiums), with \$1,983,334 being due within one year.

**Table 5
Outstanding Debt at June 30**

	<u>Government Activities</u>	
	<u>2017</u>	<u>2016</u>
Construction and Equipment Long-Term Loan	\$66,667	\$100,000
School Facilities Improvement Refunding Bonds	13,270,173	14,941,036
Various Purpose and Judgement Bonds	3,592,849	3,795,195
School Facilities Construction and Improvement Refunding Bonds	2,901,675	2,911,163
Totals	\$19,831,364	\$21,747,394

See Note 14 for more detailed information of C-TEC's debt. The net pension liability under GASB 68 is also reported as a long-term obligation that has been previously disclosed within the management's discussion and analysis.

Economic Factors

Fiscal year 2017 is the eighth consecutive year that C-TEC has avoided deficit spending, allowing the General Fund balance to grow from \$862,797 at June 30, 2009 to over \$13.5 million as of June 30, 2017. C-TEC continues to prudently manage the resources given by the local taxpayers and continues to benefit from the State guaranteeing the level of State funding C-TEC receives.

House Bill 59 of the State's biennial budget had guaranteed fiscal year 2014 and 2015 at fiscal 2013 levels. House Bill 64 of the State's biennial budget stated funding for fiscal years 2016 and 2017 has been guaranteed at fiscal year 2015 levels.

Career and Technology Education Centers of Licking County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

C-TEC's fund balance has increased significantly in a short period of time due to reductions made, but also in part due to State funding that is based on a much higher enrollment than what C-TEC currently has. Because of this, it is important for C-TEC to continue to spend tax dollars it receives as efficiently as possible so that it can absorb any change in State funding it receives as well as be able to pay off the remaining \$4.65 million in outstanding general obligation debt (principal and interest) from the 2010 Various Purpose Bonds which are being retired through tax revenue allocations from the General Fund to the Bond Retirement Debt Service Fund.

Contacting C-TEC's Financial Management

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

**BASIC
FINANCIAL
STATEMENTS**

Career and Technology Education Centers of Licking County

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$16,037,306
Cash and Cash Equivalents in Segregated Accounts	470
Accounts Receivable	338,806
External Party Receivable	194
Intergovernmental Receivable	235,832
Prepaid Items	67,282
Accrued Interest Receivable	17,195
Inventory Held for Resale	1,550
Materials and Supplies Inventory	3,583
Property Taxes Receivable	9,656,383
Nondepreciable Capital Assets	352,024
Depreciable Capital Assets, Net	33,339,108
<i>Total Assets</i>	<u>60,049,733</u>
Deferred Outflows of Resources	
Pension	<u>5,030,012</u>
Liabilities	
Accounts Payable	86,464
Contracts Payable	69,735
Accrued Wages and Benefits	736,001
Accrued Interest Payable	59,250
Intergovernmental Payable	212,358
Vacation Benefit Payable	170,287
Long-Term Liabilities:	
Due Within One Year	2,020,473
Due In More Than One Year:	
Net Pension Liability (See Note 12)	23,818,996
Other Amounts Due in More Than One Year	18,457,051
<i>Total Liabilities</i>	<u>45,630,615</u>
Deferred Inflows of Resources	
Deferred Charge on Refunding	13,054
Property Taxes	<u>8,340,074</u>
<i>Total Deferred Inflows of Resources</i>	<u>8,353,128</u>
Net Position	
Net Investment in Capital Assets	14,359,828
Restricted for:	
Capital Projects	69,735
Debt Service	598,170
Adult Education	622,681
Other Purposes	220,117
Unrestricted (Deficit)	<u>(4,774,529)</u>
<i>Total Net Position</i>	<u><u>\$11,096,002</u></u>

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County

Statement of Activities

For the Fiscal Year Ended June 30, 2017

	Program Revenues		Net (Expense)
	Operating Grants,		Revenue and
	Charges for	Contributions	Changes in
	Services	and Interest	Net Position
Governmental Activities	Expenses	Governmental	Activities
Instruction:			
Regular	\$361,912	\$0	\$114,477
Special	725,066	0	418,622
Vocational	6,265,901	280,502	7,520
Adult/Continuing	2,903,386	1,970,965	162,983
Support Services:			
Pupils	720,898	5,263	262,554
Instructional Staff	1,668,071	46,142	268,474
Board of Education	28,141	0	0
Administration	1,113,339	0	130,406
Fiscal	468,361	0	0
Business	317,645	0	262,835
Operation and Maintenance of Plant	1,731,992	4,283	0
Pupil Transportation	3,547	0	0
Central	290,035	840	169,128
Operation of Non-Instructional Services:			
Food Service Operations	209,251	138,765	108,597
Other Non-Instructional Services	46,455	0	0
Extracurricular Activities	88,489	14,721	0
Interest and Fiscal Charges	703,892	0	0
Totals	\$17,646,381	\$2,461,481	\$1,905,596
General Revenues			
Property Taxes Levied for:			
General Purposes			7,294,016
Debt Service			2,063,312
Grants and Entitlements not Restricted			5,270,496
Investment Earnings			90,086
Miscellaneous			112,196
Total General Revenues			14,830,106
Change in Net Position			1,550,802
Net Position Beginning of Year			9,545,200
Net Position End of Year			\$11,096,002

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County

Balance Sheet

Governmental Funds

June 30, 2017

	General	Adult Education	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$13,405,329	\$440,920	\$971,100	\$1,210,886	\$16,028,235
Cash and Cash Equivalents in Segregated Accounts	470	0	0	0	470
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	9,071	0	0	0	9,071
Accounts Receivable	24,215	314,591	0	0	338,806
Interfund Receivable	34,029	2,284	0	0	36,313
Intergovernmental Receivable	82,024	42,145	0	111,663	235,832
Accrued Interest Receivable	17,195	0	0	0	17,195
External Party Receivable	194	0	0	0	194
Prepaid Items	50,689	15,396	0	1,197	67,282
Inventory Held for Resale	0	0	0	1,550	1,550
Materials and Supplies Inventory	2,788	0	0	795	3,583
Property Taxes Receivable	7,507,753	0	2,148,630	0	9,656,383
<i>Total Assets</i>	<u>\$21,133,757</u>	<u>\$815,336</u>	<u>\$3,119,730</u>	<u>\$1,326,091</u>	<u>\$26,394,914</u>
Liabilities					
Accounts Payable	\$70,721	\$11,831	\$0	\$3,912	\$86,464
Accrued Wages and Benefits	662,179	51,449	0	22,373	736,001
Contracts Payable	0	0	0	69,735	69,735
Interfund Payable	1,110	0	0	35,203	36,313
Intergovernmental Payable	150,064	44,869	0	17,425	212,358
<i>Total Liabilities</i>	<u>884,074</u>	<u>108,149</u>	<u>0</u>	<u>148,648</u>	<u>1,140,871</u>
Deferred Inflows of Resources					
Property Taxes	6,460,613	0	1,879,461	0	8,340,074
Unavailable Revenue	274,404	0	68,685	17,346	360,435
<i>Total Deferred Inflows of Resources</i>	<u>6,735,017</u>	<u>0</u>	<u>1,948,146</u>	<u>17,346</u>	<u>8,700,509</u>
Fund Balances					
Nonspendable	62,548	15,396	0	1,992	79,936
Restricted	0	691,791	1,171,584	191,689	2,055,064
Committed	3,351	0	0	969,031	972,382
Assigned	945,499	0	0	0	945,499
Unassigned (Deficit)	12,503,268	0	0	(2,615)	12,500,653
<i>Total Fund Balances</i>	<u>13,514,666</u>	<u>707,187</u>	<u>1,171,584</u>	<u>1,160,097</u>	<u>16,553,534</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$21,133,757</u>	<u>\$815,336</u>	<u>\$3,119,730</u>	<u>\$1,326,091</u>	<u>\$26,394,914</u>

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County
*Reconciliation of Total Governmental Funds Balances to
 Net Position of Governmental Activities
 June 30, 2017*

Total Governmental Fund Balances	\$16,553,534
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Amounts reported for governmental activities in the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	33,691,132
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources - unavailable revenue in the funds:	
Property Taxes Receivable	310,287
Accrued Interest Receivable	9,686
Tuition and Fees	23,116
Intergovernmental Receivable	17,346
	360,435

Vacation Benefits Payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.	(170,287)
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Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accrual that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.	(59,250)
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Deferred inflows of resources represent deferred charge on refunding which is not reported in the funds.	(13,054)
--	----------

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	
Long-Term Loans Payable	(66,667)
Current Interest Serial Refunding Bonds Payable	(12,935,000)
Premium on Current Interest Serial Refunding Bonds	(335,173)
General Obligation Bonds	(3,560,000)
General Obligation Bonds Premium	(32,849)
Refunding Serial Bonds Payable	(2,840,000)
Premium on Refunding Serial Bonds	(61,675)
Compensated Absences	(646,160)
	(20,477,524)

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred Outflows - Pension	5,030,012
Net Pension Liability	(23,818,996)
	(18,788,984)

Net Position of Governmental Activities	\$11,096,002
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See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Adult Education	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$7,348,430	\$0	\$2,080,284	\$0	\$9,428,714
Intergovernmental	5,689,118	365,809	262,665	853,772	7,171,364
Interest	87,228	0	170	5,866	93,264
Tuition and Fees	190,186	2,124,957	0	0	2,315,143
Extracurricular Activities	11,821	0	0	14,721	26,542
Rentals	4,283	840	0	0	5,123
Charges for Services	72,168	0	0	189,317	261,485
Miscellaneous	50,451	61,745	0	0	112,196
Total Revenues	13,453,685	2,553,351	2,343,119	1,063,676	19,413,831
Expenditures					
Current:					
Instruction:					
Regular	88,844	0	0	114,174	203,018
Special	669,266	0	0	0	669,266
Vocational	5,329,742	0	0	16,437	5,346,179
Adult/Continuing	5,000	2,457,430	0	113,957	2,576,387
Support Services:					
Pupils	442,975	0	0	261,858	704,833
Instructional Staff	994,798	219,565	0	135,823	1,350,186
Board of Education	23,500	0	0	0	23,500
Administration	822,636	131,834	0	29,021	983,491
Fiscal	403,568	0	0	0	403,568
Business	212,009	0	35,688	0	247,697
Operation and Maintenance of Plant	1,727,936	0	0	0	1,727,936
Pupil Transportation	3,147	0	0	0	3,147
Central	54,554	65,672	0	118,862	239,088
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	221,749	221,749
Other Non-Instructional Services	46,455	0	0	0	46,455
Extracurricular Activities	72,144	0	0	16,345	88,489
Capital Outlay	0	0	0	252,209	252,209
Debt Service:					
Principal Retirement	33,333	0	1,815,000	0	1,848,333
Interest and Fiscal Charges	0	0	778,551	0	778,551
Total Expenditures	10,929,907	2,874,501	2,629,239	1,280,435	17,714,082
Excess of Revenues Over (Under) Expenditures:	2,523,778	(321,150)	(286,120)	(216,759)	1,699,749
Other Financing Sources (Use)					
Proceeds from Sale of Capital Assets	15,589	9,151	0	0	24,740
Transfers In	0	200,310	343,739	500,000	1,044,049
Transfers Out	(1,044,049)	0	0	0	(1,044,049)
Total Other Financing Sources (Use)	(1,028,460)	209,461	343,739	500,000	24,740
Net Change in Fund Balances	1,495,318	(111,689)	57,619	283,241	1,724,489
Fund Balances Beginning of Year	12,019,348	818,876	1,113,965	876,856	14,829,045
Fund Balances End of Year	\$13,514,666	\$707,187	\$1,171,584	\$1,160,097	\$16,553,534

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds		\$1,724,489
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Amounts reported for governmental activities in the statement of activities are different because of the following:

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

This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	478,419	
Depreciation Expense	<u>(1,223,802)</u>	(745,383)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the result of the disposal of assets.

Loss on disposal of capital assets	(91,603)	
Proceeds from Sale of Capital Assets	<u>(24,740)</u>	(116,343)

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

Delinquent Property Taxes	(71,386)	
Interest	(3,008)	
Intergovernmental	4,558	
Tuition and Fees	<u>(146,812)</u>	(216,648)

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

Vacation Benefits Payable	12,204	
Compensated Absences	<u>(67,464)</u>	(55,260)

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

Premium Amortization	67,697	
Accrued Interest Payable	<u>4,954</u>	72,651

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

Long-Term Loans	33,333	
General Obligation Bonds	<u>1,815,000</u>	1,848,333

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

2,008

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.

1,154,346

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

(2,117,391)

Change in Net Position of Governmental Activities

\$1,550,802

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County

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

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$7,186,471	\$7,189,190	\$7,293,294	\$104,104
Intergovernmental	5,561,412	5,586,132	5,664,432	78,300
Interest	100,000	100,000	192,040	92,040
Tuition and Fees	102,500	84,643	84,643	0
Charges for Services	15,000	15,018	16,788	1,770
Rent	2,000	2,000	4,283	2,283
Miscellaneous	9,600	0	21,541	21,541
<i>Total Revenues</i>	<u>12,976,983</u>	<u>12,976,983</u>	<u>13,277,021</u>	<u>300,038</u>
Expenditures				
Current:				
Instruction:				
Regular	87,583	120,555	117,121	3,434
Special	689,153	665,590	665,590	0
Vocational	5,928,115	5,186,343	5,148,797	37,546
Support Services:				
Pupils	447,443	434,221	434,221	0
Instructional Staff	1,130,912	1,006,831	1,006,831	0
Board of Education	24,507	23,140	23,140	0
Administration	869,819	833,922	831,842	2,080
Fiscal	406,450	405,849	405,160	689
Business	221,772	215,743	215,518	225
Operation and Maintenance of Plant	1,876,410	1,826,041	1,819,157	6,884
Pupil Transportation	12,899	3,244	3,244	0
Central	154,269	74,438	74,438	0
Non-Instructional Services	41,866	45,730	45,730	0
Extracurricular Activities	71,903	72,382	72,349	33
Debt Service:				
Principal Retirement	33,333	33,333	33,333	0
<i>Total Expenditures</i>	<u>11,996,434</u>	<u>10,947,362</u>	<u>10,896,471</u>	<u>50,891</u>
<i>Excess of Revenues Over Expenditures</i>	<u>980,549</u>	<u>2,029,621</u>	<u>2,380,550</u>	<u>350,929</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	10,000	10,000	16,072	6,072
Advances In	0	0	26,356	26,356
Advances Out	0	0	(3,438)	(3,438)
Transfers Out	(1,100,000)	(1,049,072)	(1,049,072)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,090,000)</u>	<u>(1,039,072)</u>	<u>(1,010,082)</u>	<u>28,990</u>
<i>Net Change in Fund Balance</i>	<u>(109,451)</u>	<u>990,549</u>	<u>1,370,468</u>	<u>379,919</u>
<i>Fund Balance Beginning of Year</i>	<u>11,451,146</u>	<u>11,451,146</u>	<u>11,451,146</u>	<u>0</u>
Prior Year Encumbrances Appropriated	96,434	96,434	96,434	0
<i>Fund Balance End of Year</i>	<u>\$11,438,129</u>	<u>\$12,538,129</u>	<u>\$12,918,048</u>	<u>\$379,919</u>

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County

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

Adult Education Fund

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$418,000	\$366,840	\$366,840	\$0
Tuition and Fees	1,700,850	1,744,459	1,988,783	244,324
Rent	3,600	840	840	0
Miscellaneous	18,350	56,000	61,745	5,745
<i>Total Revenues</i>	<u>2,140,800</u>	<u>2,168,139</u>	<u>2,418,208</u>	<u>250,069</u>
Expenditures				
Current:				
Instruction:				
Adult/Continuing	2,516,568	2,469,935	2,421,747	48,188
Support Services:				
Instructional Staff	210,954	219,353	215,076	4,277
Administration	149,372	142,606	139,824	2,782
Central	76,098	71,598	70,201	1,397
Non-Instructional Services	500	0	0	0
<i>Total Expenditures</i>	<u>2,953,492</u>	<u>2,903,492</u>	<u>2,846,848</u>	<u>56,644</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(812,692)</u>	<u>(735,353)</u>	<u>(428,640)</u>	<u>306,713</u>
Other Financing Sources				
Proceeds from Sale of Capital Assets	0	9,151	9,151	0
Transfers In	180,000	200,310	200,310	0
<i>Total Other Financing Sources</i>	<u>180,000</u>	<u>209,461</u>	<u>209,461</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(632,692)</u>	<u>(525,892)</u>	<u>(219,179)</u>	<u>306,713</u>
<i>Fund Balance Beginning of Year</i>	643,133	643,133	643,133	0
Prior Year Encumbrances Appropriated	3,492	3,492	3,492	0
<i>Fund Balance End of Year</i>	<u>\$13,933</u>	<u>\$120,733</u>	<u>\$427,446</u>	<u>\$306,713</u>

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Private Purpose	
	Trust	
	Scholarship	Agency
Assets		
Cash and Cash Equivalents	\$57,463	\$3,253,816
<i>Total Assets</i>	<u>57,463</u>	<u>\$3,253,816</u>
Liabilities		
Due to Students	0	\$67,866
External Party Payable	0	194
Undistributed Monies	0	3,185,756
<i>Total Liabilities</i>	<u>0</u>	<u>\$3,253,816</u>
Net Position		
Held in Trust for Scholarships	<u>57,463</u>	
<i>Total Net Position</i>	<u>\$57,463</u>	

See accompanying notes to the basic financial statements

Career and Technology Education Centers of Licking County
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2017

	Scholarship
Additions	
Interest	\$164
Contributions and Donations	13,738
<i>Total Additions</i>	13,902
Deductions	
Payments in Accordance with Trust Agreements	6,471
<i>Change in Net Position</i>	7,431
<i>Net Position Beginning of Year</i>	50,032
<i>Net Position End of Year</i>	\$57,463
See accompanying notes to the basic financial statements	

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

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

C-TEC operates under a seven-member Board of Education and is responsible for the provision of public education to residents of C-TEC. The Board of Education of C-TEC is not directly elected. The Board is made up from members of the elected boards of the participating school districts and the Licking County Educational Service Center. C-TEC is staffed by 8 administrators, 118 non-certificated full and part-time employees, and 228 certificated full and part-time teaching personnel who provide services to 748 students and other community members. C-TEC currently operates 4 buildings.

Reporting Entity

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

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

C-TEC is associated with two jointly governed organizations and two insurance purchasing pools. These organizations are the Licking Area Computer Association, the Metropolitan Educational Technology Association, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Southwestern Ohio Educational Purchasing Council Property, Fleet, and Liability Program, which are presented in Notes 17 and 18 to the basic financial statements.

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

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

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

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For C-TEC, deferred inflows of resources include deferred charge on refunding, property taxes, unavailable revenue, and pension. Deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For C-TEC, unavailable revenue includes delinquent property taxes, interest earnings, student tuition, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

E. Pensions

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

F. Cash and Cash Equivalents

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

During fiscal year 2017, C-TEC's investments were limited to negotiable certificates of deposit, commercial paper, money markets, and federal agency securities.

Except for nonparticipating investment contracts, C-TEC reports investments at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit and money market accounts are reported at cost. During fiscal year 2017, C-TEC did not invest in nonnegotiable certificates of deposit.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$87,228 which includes \$21,605 assigned from other funds of C-TEC.

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

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

I. Capital Assets

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

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

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

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

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position. On the statements, receivables and payables between the primary government and the fiduciary funds, for which C-TEC is the fiscal agent, for services rendered are presented as external party receivables and external party payables.

K. Compensated Absences

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

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

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

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

On the governmental funds financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be made. There were none for fiscal year 2017.

L. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. See Note 16 for additional information regarding set asides.

M. Accrued Liabilities and Long-Term Liabilities

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

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

N. Internal Activity

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

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

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

O. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, prepaids, as well as property

Career and Technology Education Centers of Licking County

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For the Fiscal Year Ended June 30, 2017

acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by C-TEC for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by C-TEC Board of Education or by State statute. In the general fund, assigned amounts represent intended uses established by policies of C-TEC's Board of Education or a C-TEC official delegated that authority by resolution or by State Statute. State statute authorizes C-TEC's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. C-TEC's Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in fiscal year 2018's appropriated budget.

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

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

P. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

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

Q. Extraordinary and Special Items

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

R. Estimates

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

S. Budgetary Process

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

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

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

T. Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

reported net of the applicable bond premium. On the governmental fund financial statements, bond premiums are recorded in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

U. Deferred Charge on Refunding

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

Note 3 – Changes in Accounting Principles

For fiscal year 2017, C-TEC implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in C-TEC’s 2017 financial statements; however, there was no effect on beginning net position/fund balance.

C-TEC also implemented GASB’s *Implementation Guide No. 2016-1*. These changes were incorporated in C-TEC’s fiscal year 2017 financial statement; however, there was no effect on beginning net position/fund balance.

Note 4 – Accountability

The following funds had deficit fund balance as of June 30, 2017:

	<u>Deficit Fund Balance</u>
<u>Special Revenue Fund:</u>	
Other Grants	(\$2,584)

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

Note 5 - Budgetary Basis of Accounting

While C-TEC is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) presented for the General Fund and the Adult Education Special Revenue Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

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

Net Change in Fund Balances

	General	Adult Education
GAAP Basis	<u>\$1,495,318</u>	<u>(\$111,689)</u>
Net Adjustment for Revenue Accruals	(64,729)	(148,540)
Net Adjustment for Expenditure Accruals	78,468	45,233
Beginning of Fiscal Year:		
Segregated Accounts	6,498	2,577
Prepaid Items	38,292	11,290
Unrecorded Cash	348	10,820
Negative Cash Advances	(71,736)	0
Fair Value Adjustment for Investments	110,276	0
End of Fiscal Year:		
Segregated Accounts	(470)	0
Prepaid Items	(50,689)	(15,396)
Negative Cash Advances	27,430	0
Fair Value Adjustment for Investments	(12,116)	0
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types	(10,360)	0
Advances In	26,356	0
Advances Out	(3,438)	0
Adjustment for Encumbrances	<u>(198,980)</u>	<u>(13,474)</u>
Budget Basis	<u><u>\$1,370,468</u></u>	<u><u>(\$219,179)</u></u>

Note 6 – Deposits and Investments

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

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

Career and Technology Education Centers of Licking County

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For the Fiscal Year Ended June 30, 2017

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

Cash on Hand At year end, C-TEC had \$1,300 in undeposited cash on hand which is included in the financial statements of C-TEC as part of "Equity in Pooled Cash and Cash Equivalents."

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, C-TEC will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, C-TEC's bank balance was \$11,350,943. All of the bank balances were fully insured and collateralized at year-end.

C-TEC has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with C-TEC or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledge to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at 105 percent.

Investments As of June 30, 2017, C-TEC had the following investments.

Measurement/Investment	Measurement Amount	Maturity	Moody Ratings	Percentage of Total Investment
Fair Value - Level One Input:				
Money Market Mutual Funds	\$157,567	Less than one year	n/a	1.91%
Total Fair Value - Level One Input	<u>157,567</u>			
Fair Value - Level Two Inputs:				
Federal Home Loan Mortgage Corporation Notes	1,734,327	Less than five years	Aaa	21.00
Federal National Mortgage Association Notes	765,688	Less than four years	Aaa	9.27
Federal Farm Credit Bank Notes	248,630	Less than four years	Aaa	3.01
Commercial Paper	757,671	Less than one year	n/a	9.18
Negotiable Certificates of Deposit	4,594,452	Less than five years	n/a	55.63
Total Fair Value - Level Two Inputs	<u>8,100,768</u>			
Total	<u>\$8,258,335</u>			

C-TEC 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. The above chart identifies C-TEC's recurring fair value measurements as of June 30, 2017. The money market mutual funds are measured at fair value and is valued using quoted market prices (Level 1 inputs). C-TEC's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

Interest Rate Risk C-TEC's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments

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which he/she does not reasonably believe can be held until the maturity date. The stated intent of the policy is to avoid the need to sell securities prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of C-TEC, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk The credit ratings for C-TEC securities are listed above. C-TEC has no deposit policy for custodial risk beyond the requirements of State statute.

Concentration of Credit Risk Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. C-TEC places no limit on the amount it may invest in any one issuer.

Note 7 – Property Taxes and Tax Abatements

A. Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in C-TEC. Real property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Public utility real property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility personal property currently is assessed at varying percentages of true value.

C-TEC receives property taxes from Licking, Delaware, Fairfield, Franklin, Muskingum, and Knox Counties. The County Auditor from each county periodically advances to C-TEC its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017 are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources for property taxes.

The amount available as an advance at June 30, 2017, was \$1,006,022, \$805,538 was available to the General Fund and \$200,484 was available to the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2016, was \$962,385, \$750,402 was available to the General Fund and \$211,983 was available to the Bond Retirement Debt Service Fund.

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For the Fiscal Year Ended June 30, 2017

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

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$3,821,554,770	95.80%	\$3,871,225,901	94.26%
Public Utility Personal	167,553,870	4.20%	235,605,810	5.74%
	<u>\$3,989,108,640</u>	<u>100.00%</u>	<u>\$4,106,831,711</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$2.58		\$2.58

B. Tax Abatements

C-TEC property taxes were reduced as follows under Community Reinvestment Area agreements and Enterprise Zone agreements entered into by overlapping governments:

Overlapping Government	Amount of Fiscal Year 2017 Taxes Abated
<i>Community Reinvestment Areas:</i>	
Newark City School District area located in Newark City	\$22,061
Lakewood Local School District area located in Village of Hebron	9,742
Lakewood Local School District area located in Union Township	1,152
Heath City School District area located in Heath City	26,457
Southwest Licking Local School District area located in Etna Township	73,948
Licking Heights Local School District area located in the City of Reynoldsburg	8,351
Licking Heights Local School District area located in the City of Pataskala	12
Johnstown Local School District area located in the Village of Johnstown	5,748
<i>Total Community Reinvestment Areas</i>	<u>147,471</u>
<i>Enterprise Zones:</i>	
Village of Etna	62,989
City of Heath	512
City of Reynoldsburg	7,130
Union Township	358
<i>Total Enterprise Zone Agreements</i>	<u>70,989</u>
Total Tax Abatements	<u>\$218,460</u>

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 8 - Receivables

Receivables at June 30, 2017 consisted of property taxes, accounts (billings for user charged services, tuition and fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The delinquent property taxes amounted to \$310,287 as of June 30, 2017.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Adult Education	\$42,145
College Credit Plus Reimbursement	44,286
Bureau of Workers' Compensation Refund	28,149
Carl Perkins - Secondary Grant	65,332
Carl Perkins - Adult Grant	3,248
ABLE Instructional Grant	39,563
EL/ Civics Grant	964
Title II-A Grant	2,556
Tuition and Fees	3,025
Motor Fuel Tax Refund	118
CTE Credential Reimbursement	6,446
Total	<u><u>\$235,832</u></u>

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Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Nondepreciable Capital Assets				
Land	\$107,951	\$0	\$0	\$107,951
Construction in Progress	0	244,073	0	244,073
Total Capital Assets not being depreciated	<u>107,951</u>	<u>244,073</u>	<u>0</u>	<u>352,024</u>
Depreciable Capital Assets				
Land Improvements	13,467	0	0	13,467
Buildings and Improvements	40,074,058	23,374	0	40,097,432
Furniture and Equipment	5,754,378	161,893	(291,502)	5,624,769
Vehicles	602,760	49,079	(180,000)	471,839
Total at Historical Cost	<u>46,444,663</u>	<u>234,346</u>	<u>(471,502)</u>	<u>46,207,507</u>
Less Accumulated Depreciation				
Land Improvements	(1,721)	(898)	0	(2,619)
Buildings and Improvements	(8,875,381)	(912,999)	0	(9,788,380)
Furniture and Equipment	(2,629,938)	(293,985)	193,159	(2,730,764)
Vehicles	(492,716)	(15,920)	162,000	(346,636)
Total Accumulated Depreciation	<u>(11,999,756)</u>	<u>(1,223,802)</u>	<u>355,159</u>	<u>(12,868,399)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>34,444,907</u>	<u>(989,456)</u>	<u>(116,343)</u>	<u>33,339,108</u>
Governmental Activities Capital Assets, Net	<u>\$34,552,858</u>	<u>(\$745,383)</u>	<u>(\$116,343)</u>	<u>\$33,691,132</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$141,716
Vocational	574,335
Adult/ Continuing Education	141,273
Support Services:	
Instructional Staff	228,362
Board of Education	4,641
Administration	2,493
Fiscal	8,092
Business	69,948
Operation and Maintenance of Plant	25,727
Central	27,215
Total Depreciation Expense	<u>\$1,223,802</u>

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 10 - Risk Management

C-TEC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2017, C-TEC contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet, and Liability Program (Note 18) for property, fleet, and liability insurance. Coverages provided are as follows:

Building - Replacement Cost	\$61,307,728
Blanket Employee Dishonesty (\$5,000 deductible)	500,000
Forgery (\$5,000 deductible)	500,000
Flood (annual aggregate excess of \$1,000,000)	20,000,000
Automobile Liability	
Bodily Injury and Property Damage (deductible \$1,000 collision and comprehensive)	1,000,000
General Liability – Per Occurrence	1,000,000
General Liability - Aggregate Per Year	3,000,000
Sexual Abuse and Molestation (per occurrence/aggregate per member)	1,000,000
Excess Liability (per occurrence/aggregate):	
General, Auto, and School Board Legal Liabilities	3,000,000
Sexual Abuse and Molestation	3,000,000

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

During fiscal year 2017, C-TEC participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

Note 11 - Employee Benefits

A. Compensated Absences

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

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For the Fiscal Year Ended June 30, 2017

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for all employees. Upon retirement or upon separation after ten years of service, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 60 days for all employees. C-TEC also credits one day for every year of experience beyond ten years with C-TEC.

B. Insurance Benefits

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

Note 12 - Defined Benefit Pension Plans

A. Net Pension Liability

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

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

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

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

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

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Plan Description - School Employees Retirement System (SERS)

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and C-TEC is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

C-TEC’s contractually required contribution to SERS was \$277,776 for fiscal year 2017. Of this amount \$2,601 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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For the Fiscal Year Ended June 30, 2017

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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent 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 to 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 the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

C-TEC's contractually required contribution to STRS was \$876,570 for fiscal year 2017. Of this amount \$85,726 is reported as an intergovernmental payable.

Career and Technology Education Centers of Licking County

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. C-TEC's proportion of the net pension liability was based on C-TEC's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.06306380%	0.05462948%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.06418139%</u>	<u>0.05712515%</u>	
Change in Proportionate Share	<u><u>0.00111759%</u></u>	<u><u>0.00249567%</u></u>	
Proportionate Share of the Net Pension Liability	\$4,697,486	\$19,121,510	\$23,818,996
Pension Expense	\$535,035	\$1,582,356	\$2,117,391

At June 30, 2017, C-TEC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$63,358	\$772,601	\$835,959
Changes of assumptions	313,583	0	313,583
Net difference between projected and actual earnings on pension plan investments	387,474	1,587,599	1,975,073
Changes in proportionate Share and difference between C-TEC contributions and proportionate share of contributions	110,879	640,172	751,051
C-TEC contributions subsequent to the measurement date	<u>277,776</u>	<u>876,570</u>	<u>1,154,346</u>
Total Deferred Outflows of Resources	<u><u>\$1,153,070</u></u>	<u><u>\$3,876,942</u></u>	<u><u>\$5,030,012</u></u>
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference between C-TEC contributions and proportionate share of contributions	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

\$1,154,346 reported as deferred outflows of resources related to pension resulting from C-TEC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$238,784	\$540,666	\$779,450
2019	238,504	540,665	779,169
2020	286,623	1,149,870	1,436,493
2021	111,383	769,171	880,554
Total	<u>\$875,294</u>	<u>\$3,000,372</u>	<u>\$3,875,666</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that 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. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. 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 C-TEC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 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%)
C-TEC's proportionate share of the net pension liability	\$6,219,178	\$4,697,486	\$3,423,766

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

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

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

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 Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate 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 of future plan members, are excluded. 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, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
C-TEC's proportionate share of the net pension liability	\$25,410,933	\$19,121,510	\$13,816,011

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to C-TEC's NPL is expected to be significant.

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 2017, three of the Board of Education members elected Social Security.

Note 13 - Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description – C-TEC contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. 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.

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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 2017, no allocation 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 2017, this amount was \$23,500. 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 2017, C-TEC's surcharge obligation was \$19,841.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. C-TEC's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$19,841, \$16,886, and \$48,107, respectively. The amount for fiscal year 2017 is an intergovernmental payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

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Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 14 – Long-Term Obligations

The change in C-TEC’s long-term obligations during fiscal year 2017 are as follows:

	Principal Outstanding 6/30/2016	Additions	Deductions	Principal Outstanding 6/30/2017	Due in One Year
Long-Term Bonds:					
Construction and Equipment Long-Term Loan 0%	\$100,000	\$0	\$33,333	\$66,667	\$33,334
School Facilities Improvement Refunding Bonds 2010					
Current Interest Serial Bonds 2.0%-4.0%	14,550,000	0	1,615,000	12,935,000	1,750,000
Bond Premium on Current Interest Serial Bonds	391,036	0	55,863	335,173	0
Various Purpose Bonds 2010B Series Facilities Bonds					
Serial Bonds - 2.0%-4.0%	875,000	0	170,000	705,000	170,000
Term Bonds - 4.0%-4.125%	2,305,000	0	0	2,305,000	0
Bond Premium	28,949	0	1,930	27,019	0
Judgement Bonds					
Serial Bonds - 2.0%-4.0%	165,000	0	30,000	135,000	30,000
Term Bonds - 4.0%-4.125%	415,000	0	0	415,000	0
Bond Premium	6,246	0	416	5,830	0
School Facilities Improvement Refunding Bonds 2013					
Serial Bonds 3.125%	2,840,000	0	0	2,840,000	0
Bond Premium	71,163	0	9,488	61,675	0
Total Long-Term Bonds	21,747,394	0	1,916,030	19,831,364	1,983,334
Net Pension Liability:					
SERS	3,598,481	1,099,005	0	4,697,486	0
STRS	15,097,990	4,023,520	0	19,121,510	0
Total Net Pension Liability	18,696,471	5,122,525	0	23,818,996	0
Compensated Absences Payable	578,696	111,437	43,973	646,160	37,139
Total General Long-Term Obligations	\$41,022,561	\$5,233,962	\$1,960,003	\$44,296,520	\$2,020,473

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Principal and interest requirements to retire the Construction and Equipment Long-Term Loan outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Principal
2018	\$33,334
2019	33,333
Total	<u>\$66,667</u>

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

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

Principal and interest requirements to the 2010 School Facilities Improvement Refunding Bonds outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Current Interest Serial Bonds	
	Principal	Interest
2018	\$1,750,000	\$482,400
2019	1,900,000	409,400
2020	2,060,000	330,200
2021	2,225,000	244,500
2022	2,405,000	151,900
2023	2,595,000	51,900
Total	<u>\$12,935,000</u>	<u>\$1,670,300</u>

2013 School Facilities Improvement Refunding Bonds – C-Tec had previously issued 2002 School Facilities Improvement General Obligation Bonds for school improvements that were partially refunded through the 2013 School Facilities Improvement Refunding Bonds. At the date of refunding, \$2,907,450 was deposited in

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

an irrevocable trust to provide for all future debt service payments on the refunded 2002 School Facilities Improvement General Obligation Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from C-TEC's financial statements. During fiscal year 2014, the refunded 2002 School Facilities Improvement General Obligation Bonds outstanding were called and paid in full and the escrow account was closed on December 2, 2013. This debt will be retired through the Bond Retirement Debt Service Fund using property tax revenues.

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

Principal and interest requirements to retire the remaining bonds of the 2002 School Facilities Improvement General Obligation Bonds outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2018	\$0	\$88,750
2019	0	88,750
2020	0	88,750
2021	0	88,750
2022	0	88,750
2023-2024	2,840,000	133,125
Total	<u>\$2,840,000</u>	<u>\$576,875</u>

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

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

Principal and interest requirements to retire the 2010 Various Purpose Bonds outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Facilities Bonds		Judgment Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$170,000	\$116,394	\$30,000	\$21,244	\$200,000	\$137,638
2019	170,000	110,444	35,000	20,106	205,000	130,550
2020	180,000	103,869	35,000	18,794	215,000	122,663
2021	185,000	96,569	35,000	17,394	220,000	113,963
2022	190,000	89,069	35,000	15,994	225,000	105,063
2023-2027	1,075,000	322,644	210,000	56,070	1,285,000	378,714
2028-2031	1,040,000	86,810	170,000	12,667	1,210,000	99,477
Total	<u>\$3,010,000</u>	<u>\$925,799</u>	<u>\$550,000</u>	<u>\$162,269</u>	<u>\$3,560,000</u>	<u>\$1,088,068</u>

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

C-TEC pays obligations related to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General, Adult Education, Food Service, Other Grants, Adult Basic Education, and Vocational Education. For additional information related to the net pension liability see Note 12.

C-TEC's overall legal debt margin was \$351,384,771 with an unvoted debt margin of \$4,106,832 at June 30, 2017.

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 15 - Interfund Activity

Interfund balances at June 30, 2017, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<i>Major Funds:</i>		
General Fund	\$34,029	\$1,110
Adult Education	2,284	0
Total Major Fund	<u>36,313</u>	<u>1,110</u>
<i>Other Nonmajor Governmental Funds:</i>		
Other Grants	0	3,438
District Managed Activities	0	1,019
Adult Basic Education	0	17,701
Vocational Education	0	13,045
Total Other Nonmajor Governmental Funds	<u>0</u>	<u>35,203</u>
Total All Funds	<u><u>\$36,313</u></u>	<u><u>\$36,313</u></u>

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

C-Tec transferred \$200,310 from the General Fund to the Adult Education Special Revenue Fund for reimbursement of expenditures paid from the Adult Education Special Revenue Fund. C-TEC also transferred \$343,739 from the General Fund to the Bond Retirement Debt Service Fund for bond retirement payments related to the judgment bonds which were issued as a result of a the past lawsuit. C-TEC also transferred \$500,000 from the General Fund to the Permanent Improvement Capital Projects Fund for various future improvement projects to buildings and grounds.

Note 16 - Statutory Set-Asides

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

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2016	\$0
Current Year Set-Aside Requirement	128,822
Current Year Qualifying Disbursements	(377,158)
Excess Qualified Expenditures from Prior Years	<u>0</u>
Total	<u><u>(\$248,336)</u></u>
Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>
Cash Balances to Carry Forward to Future Fiscal Years	<u><u>\$0</u></u>

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

Note 17 – Jointly Governed Organizations

A. Licking Area Computer Association

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

The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The Board exercises total control over the operations of LACA including budgeting, appropriating, contracting, and designating management. C-TEC's total payments to LACA for fiscal year 2017 were \$95,383. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

B. Metropolitan Educational Technology Association

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

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

designating management. C-TEC paid \$300 to META for memberships during fiscal year 2017 for services. Financial information can be obtained from David Varda, CFO, Metropolitan Educational Technology Association, 2100 Citygate Drive, Columbus, Ohio 43219.

Note 18 - Insurance Purchasing Pools

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

Beginning on January 1, 2012, C-TEC participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. During fiscal year 2017, C-TEC paid \$1,338 for membership dues.

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

C-TEC participates in the Southwestern Ohio Educational Purchasing Council Property, Fleet, and Liability Program (Council). The Council's business and affairs are conducted by a six member committee consisting of various Council representatives that are elected by the general assembly. The purpose of the Council is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage, and other protections for participants. C-TEC paid \$45,622 to the Council for fiscal year 2017 insurance coverage.

Note 19 - Contingencies

A. Grants

C-TEC received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of C-TEC at June 30, 2017, if applicable, cannot be determined at this time.

B. Litigation

C-TEC is currently not party to any litigation.

C. School Foundation

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by C-TEC, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 foundation funding for C-TEC; therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of C-TEC.

Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 20 – Significant Commitments

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

Governmental Funds:	
General Fund	\$198,980
Adult Education Fund	13,474
Nonmajor Governmental Funds	11,399
Total Governmental Funds	<u><u>\$223,853</u></u>

Note 21 – Fund Balances

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

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Career and Technology Education Centers of Licking County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Fund Balances	General	Adult Education	Bond Retirement	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Prepays	\$50,689	\$15,396	\$0	\$1,197	\$67,282
Unclaimed Monies	9,071	0	0	0	9,071
Materials and Supplies Inventory	2,788	0	0	795	3,583
<i>Total Nonspendable</i>	<u>62,548</u>	<u>15,396</u>	<u>0</u>	<u>1,992</u>	<u>79,936</u>
<u>Restricted for:</u>					
Adult Education	0	691,791	0	5,544	697,335
Food Service Operations	0	0	0	132,418	132,418
Department Clubs	0	0	0	31,072	31,072
Vocational Education	0	0	0	22,446	22,446
Reducing Class Size	0	0	0	209	209
Debt Service Payments	0	0	1,171,584	0	1,171,584
<i>Total Restricted</i>	<u>0</u>	<u>691,791</u>	<u>1,171,584</u>	<u>191,689</u>	<u>2,055,064</u>
<u>Committed to:</u>					
Scholarships	0	0	0	1,686	1,686
Permanent Improvements	0	0	0	967,345	967,345
Maintenance and Operations	3,351	0	0	0	3,351
<i>Total Committed</i>	<u>3,351</u>	<u>0</u>	<u>0</u>	<u>969,031</u>	<u>972,382</u>
<u>Assigned to:</u>					
Public School Support	20,528	0	0	0	20,528
Assigned to Subsequent Year's Appropriations	792,596	0	0	0	792,596
Purchases on Order	132,375	0	0	0	132,375
<i>Total Assigned</i>	<u>945,499</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>945,499</u>
Unassigned:	12,503,268	0	0	(2,615)	12,500,653
<i>Total Fund Balances</i>	<u><u>\$13,514,666</u></u>	<u><u>\$707,187</u></u>	<u><u>\$1,171,584</u></u>	<u><u>\$1,160,097</u></u>	<u><u>\$16,553,534</u></u>

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Required
Supplementary
Information

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

	2017	2016	2015 **	2014 **
C-TEC's Proportion of the Net Pension Liability	0.06418139%	0.0630638%	0.0608671%	0.0608671%
C-TEC's Proportionate Share of the Net Pension Liability	\$4,697,486	\$3,598,481	\$3,080,449	\$3,619,571
C-TEC's Covered Payroll	\$1,967,293	\$1,902,822	\$1,772,035	\$1,735,311
C-TEC's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	238.78%	189.11%	173.84%	208.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

** Amounts presented were restated from the prior year to remove Licking Area Computer Association employees.

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

	2017	2016	2015	2014
C-TEC's Proportion of the Net Pension Liability	0.57125150%	0.05462948%	0.05412227%	0.05412227%
C-TEC's Proportionate Share of the Net Pension Liability	\$19,121,510	\$15,097,990	\$13,164,409	\$15,681,358
C-TEC's Covered Payroll	\$6,041,821	\$5,887,129	\$5,529,893	\$5,952,454
C-TEC's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	316.49%	256.46%	238.06%	263.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

Career and Technology Education Centers of Licking County, Ohio

Required Supplementary Information

Schedule of C-TEC Contributions

School Employees Retirement System of Ohio

Last Ten Fiscal Years

	2017	2016	(4) 2015	(4) 2014
Contractually Required Contribution	\$277,776	\$275,421	\$250,792	\$245,604
Contributions in Relation to the Contractually Required Contribution	<u>(277,776)</u>	<u>(275,421)</u>	<u>(250,792)</u>	<u>(245,604)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
C-TEC Covered Payroll	\$1,984,114	\$1,967,293	\$1,902,822	\$1,772,035
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

(1) C-TEC implemented furlough days

(2) C-TEC implemented a reduction in force program

(3) C-TEC added two steps back to employee wages

(4) These years were restated to remove the Licking Area Computer Association employees.

<u>(4)</u> <u>2013</u>	<u>(3)(4)</u> <u>2012</u>	<u>(2)(4)</u> <u>2011</u>	<u>(1)(4)</u> <u>2010</u>	<u>(4)</u> <u>2009</u>	<u>(4)</u> <u>2008</u>
\$240,167	\$222,691	\$106,312	\$159,231	\$146,235	\$151,538
<u>(240,167)</u>	<u>(222,691)</u>	<u>(106,312)</u>	<u>(159,231)</u>	<u>(146,235)</u>	<u>(151,538)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,735,311	\$1,655,695	\$845,760	\$1,176,004	\$1,486,128	\$1,543,157
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Career and Technology Education Centers of Licking County, Ohio

Required Supplementary Information

Schedule of C-TEC Contributions

State Teachers Retirement System of Ohio

Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$876,570	\$845,855	\$824,198	\$718,886
Contributions in Relation to the Contractually Required Contribution	<u>(876,570)</u>	<u>(845,855)</u>	<u>(824,198)</u>	<u>(718,886)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
C-TEC Covered Payroll	\$6,261,214	\$6,041,821	\$5,887,129	\$5,529,893
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

(1) Reduction in force

(2) Reduction in force round two

2013	(2) 2012	(1) 2011	2010	2009	2008
\$773,819	\$756,611	\$802,657	\$860,421	\$854,509	\$814,585
(773,819)	(756,611)	(802,657)	(860,421)	(854,509)	(814,585)
\$0	\$0	\$0	\$0	\$0	\$0
\$5,952,454	\$5,820,085	\$6,174,285	\$6,618,624	\$6,573,149	\$6,266,040
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Career and Technology Education Centers, Ohio

Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	N/A	\$10,260
Cash Assistance:			
School Breakfast Program	10.553	N/A	12,238
National School Lunch Program	10.555	N/A	94,390
Cash Assistance Subtotal			<u>106,628</u>
Total Child Nutrition Cluster			<u>116,888</u>
Total U.S. Department of Agriculture			<u>116,888</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Program</i>			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	84.063		289,455
Federal Direct Student Loans	84.268		442,676
Total Student Financial Assistance Cluster:			<u>732,131</u>
<i>Passed Through Ohio Department of Education</i>			
Adult Education-State Grant Program	84.002	N/A	209,014
Career and Technical Education- Basic Grants to States	84.048	N/A	547,893
Total Passed Through Ohio Department of Education			<u>756,907</u>
Total U.S. Department of Education			<u>1,489,038</u>
Total Expenditures of Federal Awards			<u>\$1,605,926</u>

The accompanying notes are an integral part of this schedule.

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Career and Technology Education Centers (C-TEC) under programs of the federal government for the year ended June 30, 2017. 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 C-TEC, it is not intended to and does not present the financial position or changes in net position of C-TEC.

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. C-TEC has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

C-TEC reports commodities consumed on the Schedule at the fair value. C-TEC allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Career and Technology Education Centers, Licking County, Ohio, (C-TEC) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise C-TEC's basic financial statements and have issued our report thereon dated December 4, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered C-TEC'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 C-TEC'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 C-TEC'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether C-TEC'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*.

C-TEC's Response to Finding

C-TEC's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit C-TEC's response and, accordingly, we express no opinion on it.

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 C-TEC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering C-TEC's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2017



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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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Career and Technology Education Centers, Licking County, Ohio (C-TEC) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Career and Technology Education Centers major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies C-TEC's major federal program.

Management's Responsibility

C-TEC'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 C-TEC's compliance for C-TEC'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 C-TEC'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 C-TEC's major program. However, our audit does not provide a legal determination of C-TEC's compliance.

Opinion on the Major Federal Program

In our opinion, the Career and Technology Education Centers complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2017

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
FOR FISCAL YEAR ENDED JUNE 30, 2017**

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)?	Yes
(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):	Student Financial Assistance Cluster- CFDA#84.063 and 84.268
(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?	Yes

**CAREER AND TECHNOLOGY EDUCATION CENTERS
LICKING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
FOR FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

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

FINDING NUMBER 2017-001

Financial Statement Presentation – Material Weakness

Sound financial reporting is the responsibility of the Treasurer and the Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of C-TEC's financial statements.

Multiple accounts receivable reports were produced by C-TEC, each reflecting different receivable balances and were not properly reviewed by C-TEC for accuracy and completeness until requested to do so by auditors. A thorough review of the accounts receivable report was not completed over the report submitted to the financial statement compiler and therefore the financial statements were prepared based on an incomplete report.

These incomplete reports for the fiscal year end accounts receivable balances resulted in an understatement of \$159,842. This adjustment has been reflected in the financial statements.

Not presenting financial information accurately to the converters resulted in the financial statements requiring an audit adjustment; furthermore, inaccurate accounting records could make it difficult for the Board to effectively monitor C-TEC's activities or identify misstatements or errors in a timely manner.

We recommend C-TEC take the necessary steps to ensure the accurate presentation of all elements of their financial position. By exercising accuracy in recording financial activity, C-TEC can reduce posting errors and increase the reliability of the financial data throughout the year.

We also recommend C-TEC implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

Officials' Response – See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

None

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	We have worked with our Adult Education student software provider to ensure the receivable report is producing a complete and accurate account receivable balance. We will review this report next year to ensure it is correct prior to using it to compile our financial statements.	June 30, 2018	Benjamin R. Streby, Treasurer/CFO

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CAREER AND TECHNOLOGY EDUCATION CENTER

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 19, 2017**