Pickaway-Ross Career and Technology Center
Ross County
Single Audit
For the Fiscal Year Ended June 30, 2018

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Millhuff-Stang, CPA, Inc.
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Board of Education
Pickaway-Ross Career & Technology Center
895 Crouse Chapel Road
Chillicothe, OH 45601

We have reviewed the *Independent Auditor's Report* of the Pickaway-Ross Career & Technology Center, Ross County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

January 18, 2019

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Pickaway-Ross Career and Technology Center
Ross County
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For the Fiscal Year Ended June 30, 2018

Millhuff-Stang

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

Members of the Board
Pickaway-Ross Career and Technology Center
895 Crouse Chapel Road
Chillicothe, Ohio 45601

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 Pickaway-Ross Career and Technology Center, Ross County, Ohio (the Center), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

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

Emphasis of Matter

As discussed in note 22 to the financial statements, during fiscal year 2018, the Center adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The 2018 financial statements have been restated due to this implementation. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Center's proportionate share of the net pension/OPEB liability, and the schedule of Center contributions on pages 4 through 11, and 56 through 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The schedule of federal awards expenditures, 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* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide on opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

December 19, 2018

The Pickaway-Ross Career and Technology Center's (the Center) discussion and analysis of the annual financial statements provide a review of the financial performance for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

- The Center's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2018 by $4,806,191.
- General revenues accounted for $12,500,979 or 60 percent of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $8,385,672 or 40 percent of total revenues of $20,886,651.
- The Center had $11,170,256 in expenses related to governmental activities; $8,385,672 of these expenses were offset by program specific charges for services and sales, grants and contributions, while the remainder of these expenses were offset by general revenues.
- The Center has two major funds: the general fund and the adult education fund. All governmental funds had total revenues and other financing sources of $21,336,324 and expenditures and other financing uses of $21,410,683.

Using this Annual Report

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand Pickaway-Ross Career and Technology Center's financial situation as a whole and also give a detailed view of the Center's financial activities.

The statement of net position and statement of activities provide information about the activities of the Center as a whole and present a long-term view of the Center's 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 the amount of funds available for future spending. The fund financial statements also look at the Center's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the Center as a Whole

Government-Wide Financial Statements

The analysis of the Center as a whole begins on page 5. These statements provide information that will help the reader to determine whether the Center is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Center's net position and changes to net position. This change informs the reader whether the Center's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the Center's financial well-being. Some of these factors include the Center's tax base, current property tax laws in Ohio restricting revenue growth, the condition of capital assets, and required educational programs.

In the statement of net position and the statement of activities, the Center has only one kind of activity.

- Governmental Activities. All of the Center's programs and services (except for the agency funds) are reported here, including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the Center's Most Significant Funds

Fund Financial Statements

The analysis of the Center's funds begins on page 10. Fund financial statements provide detailed information about the Center's major funds – not the Center as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Center's major funds are the general fund and adult education fund.

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

Fiduciary Fund
The Center only has agency funds, which is used to account for student-managed activities and federal student loan and grants administered by the Center. All of the Center's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the Center's other financial statements because the Center cannot use these assets to finance its operations. The Center is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

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

The Center as a Whole

As stated previously, the statement of net position provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net position for 2018 compared to 2017.

Table 1
Net Position
Governmental Activities

	2018	2017*
Assets		
Current and Other Assets	$20,612,025	$20,583,936
Capital Assets, Net	16,732,396	17,441,065
Total Assets	37,344,421	38,025,001
Deferred Outflows of Resources	8,513,886	6,637,905
Liabilities		
Current and Other Liabilities	2,173,787	2,457,461
Long-Term Liabilities	32,261,671	42,446,909
Total Liabilities	34,435,458	44,904,370
Deferred Inflows of Resources	6,616,658	4,668,740
Net Position		
Net Investment in Capital Assets	14,692,957	14,819,898
Restricted	2,540,878	2,923,145
Unrestricted (Deficit)	(12,427,644)	(22,653,247)
Total Net Position	$4,806,191	($4,910,204)

*As restated. See note 22 of the notes to the basic financial statements.

Current and other assets increased $28,089. This increase was primarily due to an increase in accounts receivable, intergovernmental receivable, and property taxes receivable and the recognition of assets held for resale. These increases were significantly offset by a reduction in cash and cash equivalents, which resulted from expenses in excess of revenues. Accounts receivable increased due to less timely collections on accounts. Intergovernmental receivable increased due to balances remaining in state and federal grant programs at year end available for draw. Property taxes receivable increased due to an increase in estimates expected to be collected in 2019. Capital assets, net of the Center decreased $708,669 as a result of depreciation expense and deletions, which was partially offset by capital asset additions. Deferred outflows of resources increased $1,875,981 due to an increase in amounts related to the Center's proportionate share of the state-wide net pension and OPEB liabilities.

Current and other liabilities decreased $283,674 due to decreases in accounts payable and intergovernmental payable. Accounts payable decreased due to timing of payment dates. Intergovernmental payable decreased due to foundation adjustments recognized last fiscal year. Long-term liabilities decreased $10,185,238. This decrease is due to a decrease in net pension and OPEB liability estimates and principal payments on capital leases and bonds. Deferred inflows of resources increased $1,947,918 due to an increase in amounts related to the Center's proportionate share of the state-wide net pension and OPEB liabilities.

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

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

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

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

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

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

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

As a result of implementing GASB 75, the Center is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017 from $1,360,332 to a deficit of $4,912,369. Additionally, the Center also had a restatement due to a previously unrecorded capital lease and related asset. This increased the restated deficit to $4,910,204.

Table 2 shows the changes in net position for fiscal year 2018 and provides a comparison to fiscal year 2017.

Table 2
Changes in Net Position
Governmental Activities

	2018	2017*
Revenues		
Program Revenue		
Charges for Services and Sales	$2,000,726	$1,808,096
Operating Grants and Contributions	6,384,946	6,458,415
Total Program Revenue	8,385,672	8,266,511
General Revenue		
Property Taxes	5,318,728	5,261,849
Unrestricted Grants and Entitlements	6,599,023	6,343,897
Investment Earnings	156,963	66,522
Unrestricted Gifts and Donations	20	10
Payments in Lieu of Taxes	2,412	817
Gain on Sale of Assets	265,421	0
Miscellaneous	158,412	316,911
Total General Revenue	12,500,979	11,990,006
Total Revenues	20,886,651	20,256,517
Expenses		
Program Expenses		
Instruction		
Vocational	6,529,289	16,901,448
Support Services		
Pupils	1,055,737	1,863,466
Instructional Staff	964,679	955,479
Board of Education	36,468	50,115
Administration	667,752	1,116,508
Fiscal	264,696	720,410
Business	0	2,742
Operation and Maintenance of Plant	1,178,988	1,840,730
Pupil Transportation	23,571	8,973
Central	48,645	79,882
Operation of Non-Instructional Services	254,899	282,614
Extracurricular Activities	117,724	16,752
Interest and Fiscal Charges	27,808	35,157
Total Expenses	11,170,256	23,874,276
Change in Net Position	9,716,395	(3,617,759)
Net Position Beginning of Year	(4,910,204)	N/A
Net Position End of Year	$4,806,191	($4,910,204)

*As restated. See note 22 of the notes to the basic financial statements. In addition, certain reclassifications were made for consistency of reporting between years.

Charges for services increased $192,630 between years due to an increase in activity within the adult education program. Operating grants and contributions had a decrease of $73,469 due to a decrease in food service funding. Property taxes remained relatively consistent between years. Unrestricted grants and entitlements increased $255,126 due to an increase in general foundation funding. In the prior year, a reduction of revenue in the amount of $196,449 was recognized as a result of fiscal year 2017 SFPR adjustments. Investment earnings increased due to an increase in market conditions during the fiscal year.

Most expense functions reflect a decrease between years due to the recognition of a negative expense allocation of $8,308,173 as a result of actuarial valuation calculations of net pension and OPEB liabilities and related deferrals. Excluding the effects of the negative pension and OPEB expenses, vocational instruction further decreased due to decreases in purchased services, instructional supplies, and uncapitalizable capital outlay expenses. Instructional staff support services increased due to increases in purchased services, instructional supplies, and uncapitalizable capital outlay expenses. Extracurricular activities increased due to supplemental advisor payments in the current year.

Governmental Activities

Operating grants and contributions and unrestricted grants and entitlements not restricted to specific programs comprised 31 percent and 32 percent of revenue while property taxes and charges for services and sales comprised 25 percent and 10 percent, respectively, for governmental activities of the Center for fiscal year 2018 and represent the largest sources of revenues.

As indicated by governmental program expenses, instruction is emphasized. Total instruction comprised 58 percent of governmental program expenses with support services comprising 38 percent of governmental expenses. The Board of Education relies on taxes, grants and entitlements to support increased student achievement within the Center.

The statement of activities shows the cost of program services and the charges for services and sales, and grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted grants and entitlements.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017*	Net Cost of Services 2017*
Program Expenses				
Instruction	$6,529,289	($158,767)	$16,901,448	$10,110,953
Support Services	4,240,536	2,798,731	6,638,305	5,466,107
Operation of Non-Instructional Services	254,899	7,583	282,614	(21,171)
Extracurricular Activities	117,724	109,229	16,752	16,719
Interest and Fiscal Charges	27,808	27,808	35,157	35,157
Total	$11,170,256	$2,784,584	$23,874,276	$15,607,765

*As restated. See note 22 of the notes to the basic financial statements.

The Center's Funds

The Center's governmental funds are accounted for using the modified accrual basis of accounting. The most significant change in the Center's total fund balance was in the general fund.

The general fund had $16,857,936 in revenues and $16,341,668 in expenditures. The general fund balance increased $328,689 as revenues and other financing sources exceeded expenditures and other financing uses. Vocational instruction decreased due to decreases in purchased services, instructional supplies, and uncapitalizable capital outlay expenses. Instructional staff support services increased due to increases in purchased services, instructional supplies, and uncapitalizable capital outlay expenses. Extracurricular activities increased due to supplemental advisor payments in the current year.

The adult education fund had revenues of $2,688,276 and expenditures of $2,847,488 resulting in a $159,212 decrease in fund balance. Even though expenditures were down significantly from the prior year, revenues were still not sufficient enough to meet expenditure obligations.

Budget Highlights - General Fund

The Center's budget is adopted on a fund basis. Before the budget is adopted, the Board of Education reviews the detailed work papers of each object within the general fund and then adopts the budget on a fund basis. The general fund was the most significant budgeted fund.

During 2018, there were revisions to the general fund budget. In part, these revisions increased estimated revenues and other sources by $234,394 and decreased estimated expenditures and other uses by $600,000. Actual revenues were higher than final budget amounts by $21,818. Actual expenditures were below final budgeted expenditures by $470,705. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The general fund's ending unobligated cash balance was $492,523 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the Center had $16,732,396 invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows the fiscal year 2018 balances compared to 2017.

Table 4
Capital Assets (Net of Accumulated Depreciation)
Governmental Activities

	2018	2017*
Land	$314,883	$314,883
Land Improvements	3,994	4,211
Buildings and Improvements	14,537,194	15,268,238
Furniture and Equipment	1,793,629	1,766,391
Vehicles	82,696	87,342
Capital Assets, Net	$16,732,396	$17,441,065

*As restated. See note 22 of the notes to the basic financial statements.

Changes in capital assets from the prior year resulted from additions, deletions and depreciation expense. Please see note 8 to the basic financial statements for additional information regarding capital assets.

Debt Administration

At June 30, 2018, the Center had $1,115,052 in outstanding capital leases with $278,638 due within one year. The Center also had $924,387 in outstanding school improvement bonds with $299,965 due within one year. At June 30, 2018, the Center's overall legal debt margin was $203,706,044 with an unvoted debt margin of $2,273,671. Please see notes 13 and 14 to the basic financial statements for additional information regarding long-term obligations.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Todd Stahr, Treasurer, Pickaway-Ross Career and Technology Center, 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

Pickaway-Ross Career and Technology Center
Statement of Net Position
As of June 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$14,463,066
Assets Held for Resale	192,841
Accrued Interest Receivable	14,036
Accounts Receivable	358,083
Intergovernmental Receivable	69,963
Property Taxes Receivable	5,514,036
Nondepreciable Capital Assets	314,883
Depreciable Capital Assets, net	16,417,513
Total Assets	37,344,421
Deferred Outflows of Resources:	
Pension	8,284,142
OPEB	229,744
Total Deferred Outflows of Resources	8,513,886
Liabilities:	
Accounts Payable	52,122
Accrued Wages and Benefits	1,770,750
Contracts Payable	6,152
Intergovernmental Payable	273,822
Accrued Interest Payable	20,719
Matured Compensated Absences Payable	50,222
Long-Term Liabilities:	
Due Within One Year	832,716
Due in More Than One Year	2,743,635
Net Pension Liability	23,697,822
Net OPEB Liability	4,987,498
Total Liabilities	34,435,458
Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year Operations	4,949,354
Pension	1,087,055
OPEB	580,249
Total Deferred Inflows of Resources	6,616,658
Net Position:	
Net Investment in Capital Assets	14,692,957
Restricted for Capital Outlay	879,822
Restricted for Other Purposes	1,661,056
Unrestricted (Deficit)	(12,427,644)
Total Net Position	$4,806,191

The notes to the basic financial statements are an integral part of this statement

Pickaway-Ross Career and Technology Center
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Instruction:				
Vocational	$6,529,289	$1,141,489	$5,546,567	$158,767
Support Services:				
Pupils	1,055,737	492,519	396,171	(167,047)
Instructional Staff	964,679	92,801	187,704	(684,174)
Board of Education	36,468	1,405	0	(35,063)
Administration	667,752	44,875	35,526	(587,351)
Fiscal	264,696	23,467	0	(241,229)
Operation and Maintenance of Plant	1,178,988	112,216	31,730	(1,035,042)
Pupil Transportation	23,571	138	21,655	(1,778)
Central	48,645	1,598	0	(47,047)
Operation of Non-Instructional Services	254,899	81,723	165,593	(7,583)
Extracurricular Activities	117,724	8,495	0	(109,229)
Interest and Fiscal Charges	27,808	0	0	(27,808)
Total Governmental Activities	$11,170,256	$2,000,726	$6,384,946	(2,784,584)

General Revenues:	
Property Taxes Levied for:	
General Purposes	5,318,728
Grants and Entitlements not Restricted for Specific Programs	6,599,023
Investment Earnings	156,963
Gifts and Donations not Restricted for Specific Programs	20
Payments in Lieu of Taxes	2,412
Gain on Sale of Assets	265,421
Miscellaneous	158,412
Total General Revenues	12,500,979
Change in Net Position	9,716,395
Net Position Beginning of Year-Restated	(4,910,204)
Net Position End of Year	$4,806,191

The notes to the basic financial statements are an integral part of this statement

Pickaway-Ross Career and Technology Center
Balance Sheet
Governmental Funds
As of June 30, 2018

	General Fund	Adult Education Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	$12,007,332	$446,182	$2,009,552	$14,463,066
Assets Held for Resale	192,841	0	0	192,841
Accrued Interest Receivable	14,036	0	0	14,036
Accounts Receivable	0	358,083	0	358,083
Interfund Receivable	41,569	0	0	41,569
Intergovernmental Receivable	0	0	69,963	69,963
Property Taxes Receivable	5,514,036	0	0	5,514,036
Total Assets	$17,769,814	$804,265	$2,079,515	$20,653,594
Liabilities:				
Accounts Payable	$34,390	$16,732	$1,000	$52,122
Accrued Wages and Benefits	1,515,236	199,062	56,452	1,770,750
Contracts Payable	0	0	6,152	6,152
Interfund Payable	0	0	41,569	41,569
Intergovernmental Payable	216,482	35,572	21,768	273,822
Matured Compensated Absences Payable	50,222	0	0	50,222
Total Liabilities	1,816,330	251,366	126,941	2,194,637
Deferred Inflows of Resources:				
Property Taxes not Levied to Finance Current Year Operations	4,949,354	0	0	4,949,354
Unavailable Revenue	92,309	0	0	92,309
Total Deferred Inflows of Resources	5,041,663	0	0	5,041,663
Fund Balances:				
Nonspendable	192,841	0	0	192,841
Restricted	0	552,899	1,987,979	2,540,878
Committed	393,948	0	0	393,948
Assigned	386,176	0	0	386,176
Unassigned (Deficit)	9,938,856	0	(35,405)	9,903,451
Total Fund Balances	10,911,821	552,899	1,952,574	13,417,294
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$17,769,814	$804,265	$2,079,515	$20,653,594

The notes to the basic financial statements are an integral part of this statement.

Pickaway-Ross Career and Technology Center
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
As of June 30, 2018

Total Governmental Fund Balances		$13,417,294
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,732,396
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	92,309	
Total		92,309
The net pension/OPEB liability is not due and payable in the current period. Therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows-Pension	8,284,142	
Deferred Outflows-OPEB	229,744	
Deferred Inflows-Pension	(1,087,055)	
Deferred Inflows-OPEB	(580,249)	
Net Pension Liability	(23,697,822)	
Net OPEB Liability	(4,987,498)	
Total		(21,838,738)
Interest payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.		(20,719)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(1,536,912)	
School Improvement Bonds	(924,387)	
Capital Lease Obligations	(1,115,052)	
Total		(3,576,351)
Net Position of Governmental Activities		$4,806,191

The notes to the basic financial statements are an integral part of this statement

Pickaway-Ross Career and Technology Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Adult Education Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	$5,315,401	$0	$0	$5,315,401
Intergovernmental	10,818,037	1,178,964	984,968	12,981,969
Interest	194,536	0	0	194,536
Decrease in Fair Value of Investments	(37,573)	0	0	(37,573)
Tuition and Fees	377,086	1,216,940	0	1,594,026
Rent	4,968	0	0	4,968
Gifts and Donations	20	0	2,000	2,020
Customer Sales and Services	28,864	291,145	81,723	401,732
Payments in Lieu of Taxes	2,412	0	0	2,412
Miscellaneous	154,185	1,227	3,000	158,412
Total Revenues	16,857,936	2,688,276	1,071,691	20,617,903
Expenditures:				
Current:				
Instruction:				
Vocational	10,968,449	1,764,803	758,148	13,491,400
Support Services:				
Pupils	652,189	903,536	18,000	1,573,725
Instructional Staff	924,992	72,802	151,060	1,148,854
Board of Education	19,468	0	0	19,468
Administration	1,037,811	0	36,080	1,073,891
Fiscal	572,380	0	0	572,380
Operation and Maintenance of Plant	1,385,234	75,815	98,907	1,559,956
Pupil Transportation	1,916	0	21,655	23,571
Central	48,645	0	0	48,645
Operation of Non-Instructional Services	0	0	283,750	283,750
Extracurricular Activities	117,724	0	0	117,724
Capital Outlay	339,974	12,259	76,004	428,237
Debt Service:				
Principal	272,886	16,764	292,078	581,728
Interest	0	1,509	32,845	34,354
Total Expenditures	16,341,668	2,847,488	1,768,527	20,957,683
Excess of Revenues Over (Under) Expenditures	516,268	(159,212)	(696,836)	(339,780)
Other Financing Sources (Uses):				
Transfers In	0	0	453,000	453,000
Proceeds from Sale of Assets	265,421	0	0	265,421
Transfers Out	(453,000)	0	0	(453,000)
Total Other Financing Sources (Uses)	(187,579)	0	453,000	265,421
Net Change in Fund Balances	328,689	(159,212)	(243,836)	(74,359)
Fund Balance at Beginning of Year	10,583,132	712,111	2,196,410	13,491,653
Fund Balance at End of Year	$10,911,821	$552,899	$1,952,574	$13,417,294

The notes to the basic financial statements are an integral part of this statement.

Pickaway-Ross Career and Technology Center
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		($74,359)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital asset additions and depreciation in the current period.		
Capital Asset Additions	428,237	
Current Year Depreciation	(1,129,670)	
Total		(701,433)
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.		(7,236)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	3,327	
Total		3,327
Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows.		1,579,426
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		8,308,173
General obligation bonds are reported in the statement of revenues, expenditures, and changes in fund balances as other financing sources but are not reported as revenues in the statement of activities.		292,078
Repayments of capital lease obligations are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position and do not result in an expense in the statement of activities.		289,650
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Decrease in Accrued Interest Payable	6,546	
Decrease in Compensated Absences Payable	20,223	
Total		26,769
Net Change in Net Position of Governmental Activities		$9,716,395

The notes to the basic financial statements are an integral part of this statement

Pickaway-Ross Career and Technology Center
Statement of Revenues, Expenditures and Change
in Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget:
	Original	Final	Actual	Positive (Negative)
Total Revenues and Other Financing Sources	$16,907,840	$17,142,234	$17,164,052	$21,818
Total Expenditures and Other Financing Uses	18,056,608	17,456,608	16,985,903	470,705
Net Change in Fund Balance	(1,148,768)	(314,374)	178,149	492,523
Fund Balance at Beginning of Year	9,784,958	9,784,958	9,784,958	0
Prior Year Encumbrances Appropriated	456,610	456,610	456,610	0
Fund Balance at End of Year	$9,092,800	$9,927,194	$10,419,717	$492,523

The notes to the basic financial statements are an integral part of this statement.

Pickaway-Ross Career and Technology Center
Statement of Revenues, Expenditures and Change
in Fund Balance - Budget and Actual (Budgetary Basis)
Adult Education Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
Total Revenues and Other Financing Sources	$3,697,789	$2,436,013	$2,461,807	$25,794
Total Expenditures and Other Financing Uses	3,697,789	3,111,465	2,980,245	131,220
Net Change in Fund Balance	0	(675,452)	(518,438)	157,014
Fund Balance at Beginning of Year	834,903	834,903	834,903	0
Prior Year Encumbrances Appropriated	61,464	61,464	61,464	0
Fund Balance at End of Year	$896,367	$220,915	$377,929	$157,014

The notes to the basic financial statements are an integral part of this statement.

Pickaway-Ross Career and Technology Center

Statement of Fiduciary Assets and Liabilities

Agency Funds

As of June 30, 2018

Assets:	
Equity in Pooled Cash and Cash Equivalents	$92,344
Total Assets	$92,344
Liabilities:	
Undistributed Monies	$92,344
Total Liabilities	$92,344

The notes to the basic financial statements are an integral part of this statement.

Note 1 – Description of the Center and Reporting Entity

Pickaway-Ross Career and Technology Center (the Center) is a distinct political subdivision of the State of Ohio operated under the direction of a Board form of government consisting of eleven representatives from the various elected City and County School Boards within Pickaway and Ross Counties. The Center possesses its own budgeting and taxing authority. The Center exposes students to job training leading to employment upon graduation from high school.

The Center was established in 1970 through the cooperation of all school districts involved. The Center serves an area of approximately 1,090 square miles. It is located in Ross County, and includes the school districts within Ross and Pickaway Counties. It is staffed by 34 non-certificated employees and 102 certificated full-time teaching personnel who provide services to 1,067 students and other community members. The Center currently operates 4 instructional buildings.

Reporting Entity:

The Center is a jointly governed organization, legally separate from other organizations. The Board of Education of the Center is not directly elected, although no other school district appoints a voting majority of the Board. None of the school districts that appoint Board members are financially accountable for the Center.

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 the Center consists of all funds, departments, boards, and agencies that are not legally separate from the Center. For the Center, this includes general operations, food service, and student related activities of the Center.

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

The following entities which perform activities within the Center's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the Center is not financially accountable for these entities nor are they fiscally dependent on the Center.

- Ross-Pike Educational Service District
- Cities of Chillicothe and Circleville
- Participating Local/City School Districts
- Pickaway County Educational Service Center

The Center is associated with four organizations, two of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are META Solutions, Great Seal Education Network of Tomorrow, Ross County School Employees Insurance Consortium and the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan, respectively. These organizations are presented in notes 16 and 17 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

Fund Accounting

The Center's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Center functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

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 purpose 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 the Center’s major governmental funds:

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

Adult Education Fund
The Adult Education Fund is used to account for all revenues and expenditures related to the provision of credit and noncredit classes to the community. The main source of revenue for the Adult Education Fund is tuition and fees.

The other governmental funds of the Center account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The Center’s only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The Center’s agency funds are used to account for student-managed activities and Federal student loan and grant programs administered by the Center.

Basis of Presentation

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

Government-wide Financial Statements

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

The statement of net position presents the financial condition of governmental activities of the Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and 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 the Center. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Center.

Fund Financial Statements

During the year, the Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Center at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds 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 fund type.

Measurement Focus

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

The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

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. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied (note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. For the Center, deferred outflows of resources include amounts for pensions and other postemployment benefits. Information on pensions and other postemployment benefits is presented in notes 10 and 11.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources include property taxes, grants, pensions, and other postemployment benefits. Property taxes for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and governmental fund balance sheet. Grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2018, are recorded as deferred inflows of resources in the governmental funds and as revenue on the statement of activities. Information on pensions and other postemployment benefits is presented in notes 10 and 11.

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 demonstrates a need for existing or increased tax rates. 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 year if projected increases or decreases in revenue are identified by the Center's Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during the fiscal year.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. 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 year.

Cash and Investments

Cash received by the Center is deposited into one of several bank accounts with individual fund balance integrity maintained. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All investment earnings accrue to the general fund except those specifically related to those funds deemed appropriate according to Board of Education policy. Interest earned during fiscal year 2018 was $194,536, which was credited to the general fund. The Center also experienced a decrease in fair value of investments of $37,573, which was also recognized in the general fund.

The Center records all its investments at fair value. For presentation on the financial statements, investments of the cash management pool are considered to be cash equivalents. The Center has invested in the certificates of deposit, State Treasury Asset Reserve of Ohio (STAR Ohio), money market funds, commercial paper, and U.S. government agency securities during fiscal year 2018. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million. All accounts of the participant will be combined for these purposes.

Investments with original maturities of three months or less at the time they are purchased by the Center are reported as cash equivalents.

Assets Held for Resale

As an integral part of the instructional laboratory experience for the construction trades programs, houses are constructed on land owned by the Center for the purpose of being sold at public auction upon completion. The proceeds from the sale offset the building expenditures and asset held for resale on a modified accrual basis. Currently, the Center is constructing a home that is expected to be completed in 2020. The value of the home being constructed at June 30, 2018 is $192,841 and is recorded as assets held for resale. Transactions are conducted through the Center’s general fund for reporting purposes.

Capital Assets and Depreciation

All capital assets of the Center are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Center maintains a capitalization threshold of $1,000. The Center does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Land Improvements	10 - 20 years
Buildings and Improvements	10 - 40 years
Furniture and Equipment	5 - 20 years
Vehicles	5 years

Interfund Balances

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

Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the Center has identified as probable of receiving payment in the future. The Center records an accrual for sick leave for all employees with ten years or more of service. The accrual amount is based upon accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the Center's severance policy.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as 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 fund from which the employee will be paid.

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

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

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

As of June 30, 2018, none of the Center's restricted net position was restricted by enabling legislation.

Fund Balances

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

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

Restricted Fund balance is reported as restricted when constraints 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.

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the Center Board of Education.

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

The Center applies restricted resources first when expenditures are incurred for purposes for which 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 amounts in any of the unrestricted fund balance classifications could be used.

Interfund Transactions

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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.

Pensions/OPEB

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

Note 3 – Accountability

The nonmajor business management tech prep fund and adult basic literacy fund had deficit fund balances of $32,596 and $2,809, respectively. The deficits in these funds are due to adjustments for accrued liabilities and the timing of grant awards. The general fund provides transfers when cash is required, not when expenditures are incurred.

Note 4 – Budgetary Basis of Accounting

While the Center is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (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 statements of revenues, expenditures and change in fund balance - budget and actual (budgetary basis) presented for the general fund and adult education 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 basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a restriction, commitment, or assignment of fund balance for governmental funds (GAAP basis).

4. Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These include the R.J. Pack student assistance, employee benefits, and termination benefits special revenue funds.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund and adult education fund.

Net Change in Fund Balance	General	Adult Education
GAAP Basis	$328,689	($159,212)
Revenue Accruals	46,792	(226,469)
Expenditure Accruals	(190,184)	(67,457)
Encumbrances	(75,314)	(65,300)
(Excess) Deficit of Funds Combined with General Fund for Reporting Purposes	68,166	0
Budget Basis	$178,149	($518,438)

<u>Note 5 – Deposits and Investments</u>

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided 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;
4. 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;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio); and
8. 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.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Center, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, the Center's bank balance of $1,662,413 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described below.

The Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the Center and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments At June 30, 2018, the Center had the following investments:

Investment Type	Fair Value	Maturity	Credit Rating*	Percentage of Portfolio
STAR Ohio	$3,579,765	Less than 1 year	AAAm	27.18%
Federal National Mortgage Association	2,668,185	3 to 5 years	AA+	20.26%
Federal Home Loan Mortgage Corporation	500,307	1 to 2 years	AA+	3.80%
Federal Home Loan Mortgage Corporation	550,302	3 to 5 years	AA+	4.18%
Commercial Paper	3,567,304	Less than 1 year	A-1	27.09%
Commercial Paper	1,304,983	Less than 1 year	A-1+	9.91%
Negotiable CDs	247,567	Less than 1 year	N/A	1.88%
Negotiable CDs	244,902	1 to 2 years	N/A	1.86%
Negotiable CDs	486,249	3 to 5 years	N/A	3.69%
First American Treasury Obligations Money Market Fund	19,262	Less than 1 year	AAAm	0.15%
Total	$13,168,826			100.00%

*Standard & Poor's credit rating.

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the Center's recurring fair value measurements as of June 30, 2018. As discussed further in note 2, STAR Ohio is reported at its share price. All other investments of the Center are valued using quoted market prices (Level 1 inputs).

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the Center manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center's policy does not address credit risk beyond the requirements of the Ohio Revised Code. The Center limits their investments to money market funds, U.S. government agency securities, commercial paper, certificates of deposit, and STAR Ohio.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Center's investment policy allows investments in repurchase agreements, certificates of deposit, in financial institutions within the State of Ohio as designated by the Federal Reserve Board, and other investments as allowable per the Ohio Revised Code.

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center does not have a policy for custodial credit risk. All of the Center's investments are held in the name of the Center.

Note 6 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located within the Center's boundaries. Property tax revenue received during calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received during calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected in 2018 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which fiscal year 2018 taxes were collected are:

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$1,999,470,880	90.40%	$2,017,819,230	88.75%
Public Utility Personal	212,361,670	9.60%	255,852,230	11.25%
Total Assessed Value	$2,211,832,550	100.00%	$2,273,671,460	100.00%
Tax Rate per $1,000 of Assessed Valuation	$4.20		$4.20	

The Center receives property taxes from Pickaway, Ross, Madison, and Hocking Counties. The county auditors periodically advance to the Center its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2018. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2018 was $472,373 in the general fund.

Note 7 – Receivables

Receivables at June 30, 2018 consisted of property taxes, accounts (billings for user charged services, tuition and student fees), interest, and interfund. 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.

Nonmajor Funds:	
Carl Perkins-Secondary	$67,863
High Schools That Work	2,100
Total Nonmajor Funds	$69,963

Note 8 – Capital Assets

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

Asset Category	Balance at 7/1/17*	Additions	Deletions	Balance at 6/30/18
Nondepreciable Capital Assets:				
Land	$314,883	$0	$0	$314,883
Depreciable Capital Assets:				
Land Improvements	163,809	0	0	163,809
Buildings and Improvements	25,244,790	13,167	0	25,257,957
Furniture and Equipment	5,984,122	407,741	(94,368)	6,297,495
Vehicles	213,390	7,329	0	220,719
Total Depreciable Capital Assets	31,606,111	428,237	(94,368)	31,939,980
Accumulated Depreciation:				
Land Improvements	(159,598)	(217)	0	(159,815)
Buildings and Improvements	(9,976,552)	(744,211)	0	(10,720,763)
Furniture and Equipment	(4,217,731)	(373,267)	87,132	(4,503,866)
Vehicles	(126,048)	(11,975)	0	(138,023)
Total Accumulated Depreciation	(14,479,929)	(1,129,670)	87,132	(15,522,467)
Depreciable Capital Assets, Net	17,126,182	(701,433)	(7,236)	16,417,513
Total Net Capital Assets	$17,441,065	($701,433)	($7,236)	$16,732,396

*The Center reviewed its capital assets and identified certain assets that were improperly classified in prior years. Reclassifications were made to correct these items. In addition, an unrecorded capital lease and related vehicle were previously unrecorded. See note 22 for additional information.

Depreciation expense was charged to governmental functions as follow:

Instruction:	
Vocational	$1,093,393
Support Services:	
Pupils	1,535
Instructional Staff	12,558
Board of Education	17,000
Operation and Maintenance of Plant	5,184
Total	$1,129,670

Note 9 – Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the Center contracted with Markel Insurance Company for fleet, liability, property, and boiler and machinery insurance.

Coverages provided by this company are as follows:

Building and Contents ($1,000 deductible)	$52,751,328
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability:	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000
Commercial Excess Liability:	
Per Occurrence and Aggregate	5,000,000

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

For fiscal year 2018, the Center participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

The Center is a member of the Ross County School Employees Insurance Consortium, a public entity shared risk pool (note 17), consisting of seven government entities within the County offering medical and dental insurance to their employees. Monthly premiums are paid to the Ross-Pike County Educational Service District as fiscal agent, who in turns pays the claims on the Center's behalf. The Consortium is responsible for the management and operations of the program. Upon termination of the Consortium, for any reason, the Consortium shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the fund of the Consortium.

Note 10 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – Center nonteaching 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 the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The Center's contractually required contributions to SERS were $227,917 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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 services. 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, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The Center's contractually required contributions to STRS were $1,309,543 for fiscal year 2018.

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

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.06859640%	0.08050329%	
Proportion of the Net Pension Liability Current Measurement Date	0.06514580%	0.08337329%	
Change in Proportionate Share	-0.00345060%	0.00287000%	
Proportionate Share of the Net Pension Liability	$3,892,318	$19,805,504	$23,697,822
Pension Expense	($67,179)	($7,348,262)	($7,415,441)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$167,511	$764,795	$932,306
Changes of assumptions	201,276	4,331,682	4,532,958
Changes in proportion and differences between Center contributions and proportionate share of contributions	237,096	1,044,322	1,281,418
Center contributions subsequent to the measurement date	227,917	1,309,543	1,537,460
Total Deferred Outflows of Resources	$833,800	$7,450,342	$8,284,142
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$159,625	$159,625
Net difference between projected and actual earnings on pension plan investments	18,476	653,604	672,080
Changes in proportion and differences between Center contributions and proportionate share of contributions	187,588	67,762	255,350
Total Deferred Inflows of Resources	$206,064	$880,991	$1,087,055

$1,537,460 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$229,023	$1,157,383	$1,386,406
2020	254,655	2,059,495	2,314,150
2021	2,002	1,530,339	1,532,341
2022	(85,861)	512,591	426,730
Total	$399,819	$5,259,808	$5,659,627

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, 2017, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Center's proportionate share of the net pension liability	$5,401,525	$3,892,318	$2,628,048

Actuarial Assumptions - STRS

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

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

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

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

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

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	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Center's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Center's proportionate share of the net pension liability	$28,390,516	$19,805,504	$12,573,918

Note 11 – Postemployment Benefits

Net OPEB Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the Center's surcharge obligation was $33,525.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate, is the total amount assigned to the Health Care Fund. The Center's contractually required contribution to SERS was $41,966 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.06859640%	0.08050329%	
Proportion of the Net OPEB Liability Current Measurement Date	0.06463300%	0.08337329%	
Change in Proportionate Share	-0.00396340%	0.00287000%	
Proportionate Share of the Net OPEB Liability	$1,734,580	$3,252,918	$4,987,498
OPEB Expense	$99,882	($992,614)	($892,732)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$187,778	$187,778
Center contributions subsequent to the measurement date	41,966	0	41,966
Total Deferred Outflows of Resources	$41,966	$187,778	$229,744
Deferred Inflows of Resources			
Changes of assumptions	$164,602	$262,033	$426,635
Net difference between projected and actual earnings on OPEB plan investments	4,581	139,038	143,619
Changes in proportionate share and difference between Center contributions and proportionate share of contributions	9,995	0	9,995
Total Deferred Inflows of Resources	$179,178	$401,071	$580,249

$41,966 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($64,405)	($47,135)	($111,540)
2020	(64,405)	(47,135)	(111,540)
2021	(49,222)	(47,135)	(96,357)
2022	(1,146)	(47,137)	(48,283)
2023	0	(12,376)	(12,376)
Thereafter	0	(12,375)	(12,375)
Total	($179,178)	($213,293)	($392,471)

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

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

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

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
Center's proportionate share of the net OPEB liability	$2,094,726	$1,734,580	$1,449,252

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
Center's proportionate share of the net OPEB liability	$1,407,482	$1,734,580	$2,167,500

Actuarial Assumptions – STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

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

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

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

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

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Center's proportionate share of the net OPEB liability	$4,366,990	$3,252,918	$2,372,437

	1% Decrease	Current Trend Rate	1% Increase
Center's proportionate share of the net OPEB liability	$2,259,988	$3,252,918	$4,559,730

Note 12 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. 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 285 days for all personnel. Upon retirement, payment is made for one-fourth of the first 180 days of accrued, but unused sick leave credit, to a maximum of 45 days, plus one-tenth of days 181 through 285, to a maximum of 10 and one-half days for all employees.

Insurance Benefits

The Center provides life insurance and accidental death and dismemberment insurance to most employees through the Metropolitan Education Council.

Deferred Compensation

Center employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Note 13 – Capital Leases – Lessee Disclosure

During fiscal year 2006, the Center issued Qualified Zone Academy Bonds (QZAB) in the amount of $5,220,000 at 0% interest, maturing in September 2021. The terms of these QZAB are structured as a non-certificated lease-purchase agreement. This agreement also included a grant in the amount of $853,820, making the total amount to be repaid $4,366,180.

During fiscal year 2017, the Center entered into a capital lease for the purchase of a bucket truck.

These leases meet the criteria of capital leases as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

The capital assets acquired by the leases have been capitalized in the statement of net position for governmental activities in the amount of $4,935,413. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2018 totaled $289,650.

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

Year Ending June 30	Capital Leases
2019	$278,978
2020	285,068
2021	278,977
2022	272,886
Total Debt Payments	1,115,909
Less: Interest	(857)
Total Principal	$1,115,052

Note 14 – Long-Term Obligations

Long-term debt and other obligations at June 30, 2018 and the related transactions for the year then ended are summarized below:

	Principal Outstanding at 7/1/17*	Additions	Deletions	Principal Outstanding at 6/30/18	Amount Due in One Year
Governmental Activities:					
Capital Lease-QZAB	$1,364,431	$0	($272,886)	$1,091,545	$272,887
Capital Lease-Bucket Truck	40,271	0	(16,764)	23,507	5,751
School Improvement Bonds	1,216,465	0	(292,078)	924,387	299,965
Compensated Absences	1,557,135	335,604	(355,827)	1,536,912	254,113
Net Pension Liability	31,967,502	0	(8,269,680)	23,697,822	0
Net OPEB Liability	6,301,105	0	(1,313,607)	4,987,498	0
Total Long-Term Obligations	$42,446,909	$335,604	($10,520,842)	$32,261,671	$832,716

*As restated. See note 22 for additional information.

2015 General Obligation School Improvement Bonds On August 24, 2016, the Center issued $1,500,000 in school improvement bonds for the purpose of paying the costs of acquiring a building. The bond holds a 2.7 percent interest rate with a five-year term. Principal and interest payments are due August 31 until the bond matures on August 31, 2020. The bond will be repaid from the permanent improvement fund.

Capital leases are being paid from the general fund and adult education fund. Compensated absences are being paid from the funds from which the employees' salaries are paid, with the significant funds being the general fund and the adult education fund. The Center pays obligations related to employee compensation from the fund benefitting from their service.

Principal and interest requirements to retire the school improvement bonds at June 30, 2018 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	$299,965	$24,958	$324,923
2020	308,064	16,859	324,923
2021	316,358	8,565	324,923
Total	$924,387	$50,382	$974,769

The Center's overall legal debt margin was $203,706,044 and an unvoted debt margin of $2,273,671 at June 30, 2018.

Note 15 – Interfund Activity

For the fiscal year ended June 30, 2018, transfers in and out that resulted from various interfund transactions were as follows:

	Transfer In	Transfer Out
Major Fund:		
General	$0	$453,000
Nonmajor Funds:		
Permanent Improvement	280,000	0
Classroom Facilities Maintenance	173,000	0
Total Nonmajor Funds	453,000	0
Total	$453,000	$453,000

The general fund transferred monies to various funds to subsidize operations.

As of June 30, 2018, the Center's interfund receivable/payable balances were as follows:

	Receivable	Payable
Major Fund:		
General	$41,569	$0
Nonmajor Funds:		
Business Management Tech Prep	0	2,100
Vocational Education	0	39,469
Total Nonmajor Funds	0	41,569
Total	$41,569	$41,569

The general fund advanced monies to nonmajor special revenue funds in anticipation of grant funds.

Note 16 – Jointly Governed Organizations

Metropolitan Educational Technology Association (META) Solutions – META Solutions is an educational solutions partner providing services across Ohio. META Solutions provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META Solutions consists of a president, vice president and six board members who represent the members of META Solutions. The board works with META Solutions' Chief Executive Officer, Chief Operating Officer, an Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The Center paid META Solutions $144,931 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Great Seal Education Network of Tomorrow – The Center is a member of the Great Seal Education Network of Tomorrow (the Council). The Council is a regional council of governments consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the Board of

Education) of each of the members. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

Note 17 – Public Entity Shared Risk and Insurance Purchasing Pools

Ross County School Employees Insurance Consortium – The Ross County School Employees Insurance Consortium (the Consortium), a shared risk pool, currently operates to provide medical and dental insurance coverage to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Seven school districts within Ross County and its surrounding area have entered into an agreement with the Ross-Pike Educational Service District to form the Ross County School Employees Insurance Consortium. The overall objectives of the Consortium are to formulate and administer a program of medical and dental insurance for the benefit of the Consortium members' employees and their dependents, to obtain lower costs for insurance coverage, and to secure cost control by implementing a program of comprehensive loss control. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium.

Accordingly, the Ross County School Employees Insurance Consortium is not part of the Center and its operations are not included as part of the reporting entity. To obtain financial information, write to the Ross-Pike Educational Service District, Erin Kirby who serves as Treasurer, at 475 Western Avenue, Chillicothe, Ohio 45601.

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan – The Center participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 18 – Statutory Set-Asides

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

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

	Capital Maintenance
Set-Aside Balance as of June 30, 2017	$0
Current Year Set-Aside Requirement	202,210
Qualifying Disbursements	(280,000)
Current Year Offsets	(503,604)
Totals	($581,394)
Set-Aside Balance as of June 30, 2018	$0
Total Restricted Assets	$0

The Center had qualifying disbursements and offsets during the year that reduced the set-aside amount below zero in the capital maintenance set-aside. This extra amount may not be carried forward and used to reduce the set-aside requirements of future years.

Note 19 – Encumbrance Commitments

At June 30, 2018, the Center had encumbrance commitments in governmental funds as follows:

Major Funds:	
General	$75,316
Adult Education	65,300
Nonmajor Funds:	
Permanent Improvement	66,427
Other Local Grants	2,100
Classroom Facilities Maintenance	27,275
Total Nonmajor Funds	95,802
Total Encumbrances	$236,418

Note 20 – Fund Balances

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

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Assets Held for Resale	$192,841	$0	$0	$192,841
Restricted				
Other Purposes	0	0	37,956	37,956
Food Service	0	0	5,044	5,044
Classroom Facilities Maintenance	0	0	1,065,157	1,065,157
Adult Education	0	552,899	0	552,899
Capital Improvements	0	0	879,822	879,822
Total Restricted	0	552,899	1,987,979	2,540,878
Committed				
Other Purposes	23,130	0	0	23,130
Termination Benefits	370,818	0	0	370,818
Total Committed	393,948	0	0	393,948
Assigned				
Other Purposes	31,545	0	0	31,545
Subsequent Budget Deficit	354,631	0	0	354,631
Total Assigned	386,176	0	0	386,176
Unassigned (Deficit)	9,938,856	0	(35,405)	9,903,451
Total Fund Balances	$10,911,821	$552,899	$1,952,574	$13,417,294

Note 21 – Contingencies

Grants

The Center 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2018, if applicable, cannot be determined at this time.

Litigation

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

State Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the Center.

Note 22 – New Accounting Pronouncements/Restatement of Beginning Net Position

For the fiscal year ended June 30, 2018, the Center was required to implement Governmental Accounting Standards Board Statements No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," No. 81, "Irrevocable Split-Interest Agreements," No. 85, "Omnibus 2017," and No. 86, "Certain Debt Extinguishment Issues."

GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." Among other things, Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Center implemented GASB 75, which resulted in expanded note disclosures and required supplementary information, restatement of beginning net position, and recognition of additional deferred inflows and outflows of resources and liabilities.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. Statement No. 81 requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB Statement No. 85 addresses issues found during the application of: 1) blending a component unit in circumstances in which the primary government is a business-type activity reporting in a single column for financial statement presentation; 2) reporting amounts previously reported as goodwill and "negative" goodwill; 3) classifying real estate held by insurance entities; 4) measuring certain money market investments and participating interest-earning investment contracts at amortized cost; 5) timing of the measurement of pension and other postemployment benefits (OPEB) liabilities and related expenditures recognized in financial statements prepared using the current financial resources measurement focus; 6) recognizing on-behalf payments for pensions or OPEB in employer financial statements; and 7) simplifying certain aspects of the alternative measurement method for OPEB. These changes were incorporated in the Center's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Under Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," government entities must consider debt to be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. Statement No. 86 generally follows the same requirements as Statement No. 7 when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

Except as noted above, none of these Statements had an impact on the Center's financial statements or note disclosures.

The Center discovered that a capital lease and related asset entered into/obtained in a prior year was unrecorded. The correction of this error and the implementation of GASB Statement No. 75 had the following effects on beginning net position.

Net Position, As Reported, June 30, 2017	$1,360,332
Restatements:	
GASB 75 Implementation:	
Deferred Outflows of Resources	28,404
Net OPEB Liability	(6,301,105)
Unrecorded Capital Asset	42,436
Unrecorded Capital Lease	(40,271)
Net Position, As Restated, July 1, 2017	($4,910,204)

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

Pickaway-Ross Career and Technology Center
Required Supplementary Information
Schedule of the Center's Proportionate Share of the Net Pension Liability
Last Five Fiscal Years

	2014	2015	2016	2017	2018
State Teachers Retirement System					
Center's proportion of the net pension liability	0.07813591%	0.07813591%	0.07871369%	0.08050329%	0.08337329%
Center's proportionate share of the net pension liability	$22,639,057	$19,005,357	$21,754,162	$26,946,878	$19,805,504
Center's covered-employee payroll	$8,171,138	$8,019,362	$8,349,964	$8,772,664	$9,408,950
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	277.1%	237.0%	260.5%	307.2%	210.5%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	66.8%	75.3%
School Employees Retirement System					
Center's proportion of the net pension liability	0.05941800%	0.05941800%	0.06096640%	0.06859640%	0.06514580%
Center's proportionate share of the net pension liability	$3,533,398	$3,007,111	$3,478,802	$5,020,624	$3,892,318
Center's covered-employee payroll	$1,757,153	$1,707,843	$1,796,199	$2,213,221	$1,861,786
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	201.1%	176.1%	193.7%	226.8%	209.1%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	69.2%	63.0%	69.5%

The amounts presented are as of the Center's measurement date, which is the prior fiscal year end.
Information not available prior to 2014.
See accompanying notes to the required supplementary information.

Pickaway-Ross Career and Technology Center
Required Supplementary Information
Schedule of the Center's Proportionate Share of the Net OPEB Liability
Last Two Fiscal Years

	2017	2018
State Teachers Retirement System		
Center's proportion of the net OPEB liability	0.08050329%	0.08337329%
Center's proportionate share of the net OPEB liability	$4,458,825	$3,252,918
Center's covered-employee payroll	$8,772,664	$9,408,950
Center's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	50.8%	34.6%
Plan fiduciary net position as a percentage of the total OPEB liability	37.3%	47.1%
School Employees Retirement System		
Center's proportion of the net OPEB liability	0.06859640%	0.06463300%
Center's proportionate share of the net OPEB liability	$1,842,280	$1,734,580
Center's covered-employee payroll	$2,213,221	$1,861,786
Center's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	83.2%	93.2%
Plan fiduciary net position as a percentage of the total OPEB liability	11.5%	12.5%

The amounts presented are as of the Center's measurement date, which is the prior fiscal year end.
Information not available prior to 2017.
See accompanying notes to the required supplementary information.

Pickaway-Ross Career and Technology Center
Required Supplementary Information
Schedule of Center Contributions
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
State Teachers Retirement System										
Contractually required contribution - pension	$1,162,625	$1,158,403	$1,141,302	$1,118,682	$1,062,248	$1,042,517	$1,168,995	$1,228,173	$1,317,253	$1,309,543
Contractually required contribution - OPEB	89,433	89,108	87,792	86,052	81,711	80,194	0	0	0	0
Contractually required contribution - total	1,252,058	1,247,511	1,229,094	1,204,734	1,143,959	1,122,711	1,168,995	1,228,173	1,317,253	1,309,543
Contributions in relation to the contractually required contribution	1,252,058	1,247,511	1,229,094	1,204,734	1,143,959	1,122,711	1,168,995	1,228,173	1,317,253	1,309,543
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Center's covered-employee payroll	$8,943,269	$8,910,792	$8,779,246	$8,605,246	$8,171,138	$8,019,362	$8,349,964	$8,772,664	$9,408,950	$9,353,879
Contributions as a percentage of covered-employee payroll - pension	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
School Employees Retirement System										
Contractually required contribution - pension	$156,681	$272,361	$223,037	$243,174	$243,190	$236,707	$236,739	$309,851	$260,650	$227,917
Contractually required contribution - OPEB (1)	66,239	9,253	25,373	9,944	2,811	2,391	14,729	0	0	8,441
Contractually required contribution - total	222,920	281,614	248,410	253,118	246,001	239,098	251,468	309,851	260,650	236,358
Contributions in relation to the contractually required contribution	222,920	281,614	248,410	253,118	246,001	239,098	251,468	309,851	260,650	236,358
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Center's covered-employee payroll	$1,592,287	$2,011,529	$1,774,360	$1,807,985	$1,757,153	$1,707,843	$1,796,199	$2,213,221	$1,861,786	$1,688,274
Contributions as a percentage of covered-employee payroll - pension	9.84%	13.54%	12.57%	13.45%	13.84%	13.86%	13.18%	14.00%	14.00%	13.50%
Contributions as a percentage of covered-employee payroll - OPEB	4.16%	0.46%	1.43%	0.55%	0.16%	0.14%	0.82%	0.00%	0.00%	0.50%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Excludes surcharge.

See accompanying notes to the required supplementary information.

State Teachers Retirement System

Pension

Changes in benefit terms

For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017.

Changes in assumptions

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Inflation assumptions were lowered from 2.75 percent to 2.50 percent.
- Investment return assumptions were lowered from 7.75 percent to 7.45 percent.
- Total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25 percent due to lower inflation.
- Payroll growth assumptions were lowered to 3.00 percent.
- Updated the health and disability mortality assumption to the RP-2014 mortality tables with generational improvement scale MP-2016.
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

OPEB

Changes in benefit terms

For fiscal year 2018, STRS has the following changes in benefit terms since the previous measurement date:

- The HealthSpan HMO plans were eliminated.
- The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9 percent per year of service from 2.1 percent.
- Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
- The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

Changes in assumptions

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB 74.
- The long-term rate of return was reduced to 7.45 percent.
- Valuation-year per capita health costs were updated.
- The percentage of future retirees electing each option was updated based on current data.
- The assumed future trend rates were modified.
- Decrement rates including mortality, disability, retirement, and withdrawal were modified.
- The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84 percent to 65 percent, and the assumed percentage of terminated vested participants assumed to elect health coverage at retirement was decreased from 47 percent to 30 percent.
- The assumed salary scale was modified.

School Employees Retirement System

Pension

Changes in benefit terms

For fiscal year 2018, the following were the most significant changes in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5 percent with a floor of 0 percenter beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendars 2018, 2019, and 2020.

Changes in assumptions

There were no changes in assumptions since the prior measurement date.

OPEB

Changes in benefit terms

There were no changes in benefit terms since the prior measurement date.

Changes in assumptions

For fiscal year 2018, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 2.98 percent to 3.63.

Pickaway-Ross Career and Technology Center
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Awards Expenditures
United States Department of Agriculture			
Passed through the Ohio Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	3L70	10.553	$37,520
National School Lunch Program	3L60	10.555	124,606
National School Lunch Program-non-cash assistance	3L60	10.555	9,757
Total Child Nutrition Cluster			171,883
Total United States Department of Agriculture			**171,883**
United States Department of Education			
Direct from the Federal Agency			
Student Financial Aid Cluster:			
Federal Direct Student Loans	N	84.268	522,345
Federal Pell Grant Program	N	84.063	339,307
Total Student Financial Aid Cluster			861,652
Passed through the Ohio Department of Education			
Career and Technical Education-Basic Grants to States	3L90	84.048	415,093
Adult Education-Basic Grants to States	N/A	84.002	180,275
Total United States Department of Education			**1,457,020**
United States Department of Labor			
Passed through Ohio Department of Jobs and Family Services			
WIOA Cluster:			
WIOA Youth Activities	N/A	17.259	208,062
Total WIOA Cluster			208,062
Total United States Department of Labor			**208,062**
United States Department of Health and Human Services			
Passed through Ohio Department of Jobs and Family Services			
TANF Cluster:			
Temporary Assistance for Needy Families CCMEP	N/A	93.558	64,253
Total TANF Cluster			64,253
Total United States Department of Health and Human Services			**64,253**
Total Federal Financial Assistance			**$1,901,218**

N - direct award.
N/A - not applicable

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

Note 1 – Basis of Presentation

The accompanying schedule of federal awards expenditures (the schedule) is a summary of the activity of the Center's federal award programs. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position and changes in net position of the Center.

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Food Donation Program

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

Note 4 – Child Nutrition Cluster

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

Note 5 – Federal Direct Student Loans

The Center participates in the Federal Direct Student Loan Program. The dollar amounts listed in the schedule of federal awards expenditures represents new loans advanced during the fiscal year ended June 30, 2018. The Center is a direct lender for these loan funds; however, they are not responsible for collecting these loans in future periods.

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Members of the Board
Pickaway-Ross Career and Technology Center
895 Crouse Chapel Road
Chillicothe, Ohio 45601

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pickaway-Ross Career and Technology Center, Ross County, (the Center) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated December 19, 2018, wherein we noted the Center adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" and restated beginning net position as a result of this implementation.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

December 19, 2018

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Members of the Board
Pickaway-Ross Career and Technology Center
895 Crouse Chapel Road
Chillicothe, Ohio 45601

Report on Compliance for Each Major Federal Program

We have audited Pickaway-Ross Career and Technology Center's, Ross County, (the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2018. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance 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 express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2018.

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Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

December 19, 2018

Section I – Summary of Auditor's Results

Financial Statements		
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:		Unmodified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?		No
Federal Awards		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:		Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?		No
Identification of major program(s):		Student Financial Aid Cluster: Federal Direct Student Loans (CFDA #84.268) and Federal Pell Grant Program (CFDA #84.063)
Dollar threshold used to distinguish between type A and type B programs:		$750,000
Auditee qualified as low-risk auditee?		Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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OHIO AUDITOR OF STATE
KEITH FABER

PICKAWAY- ROSS CAREER AND TECHNOLOGY CENTER

ROSS 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
FEBRUARY 5, 2019

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