

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2019***

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Education
EHOVE Career Center
316 West Mason Road
Milan, Ohio 44846

We have reviewed the *Independent Auditor's Report* of the EHOVE Career Center, Erie County, prepared by Julian & Grube, Inc., for the audit period July 1, 2018 through June 30, 2019. 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 EHOVE Career Center is responsible for compliance with these laws and regulations

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 6, 2020

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**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

EHOVE Career Center
Erie County
316 West Mason Road
Milan, Ohio 44846

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the EHOVE Career Center, Erie County, Ohio, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the EHOVE Career Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the EHOVE Career Center, Erie County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Adult Education funds thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information


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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019, on our consideration of the EHOVE Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the EHOVE Career Center's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 17, 2019

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The management's discussion and analysis of the EHOVE Career Center (the "Career Center") financial performance provides an overall review of the Career Center's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the Career Center's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Career Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- The Career Center's net position of governmental activities increased \$3,380,620 which represents a 34.86% increase from 2018.
- General revenues accounted for \$15,111,300 in revenue or 66.86% of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$7,491,165 in revenue or 33.14% of total revenues of \$22,602,465.
- The Career Center had \$19,221,845 in expenses related to governmental activities; \$7,491,165 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,111,300 were adequate to provide for these programs.
- The Career Center has four major governmental funds; the general fund, the adult education fund, the permanent improvement fund, and the building fund. The general fund had \$16,380,870 in revenues and \$15,846,676 in expenditures and other financing uses. During fiscal year 2019, the general fund's fund balance increased \$533,694 from \$6,417,569 to \$6,951,263.
- The adult education fund had \$2,914,366 in revenues and \$2,995,205 in expenditures. During fiscal year 2019, the adult education fund's fund balance decreased \$76,366 from a balance of \$319,909 to a balance of \$243,543.
- The permanent improvement fund had \$2,257,262 in revenues and other financing sources and \$826,597 in expenditures. During fiscal year 2019, the permanent improvement fund's fund balance increased \$1,430,665 from a balance of \$1,770,519 to a balance of \$3,201,184.
- The building fund had \$13,000,000 in other financing sources related to the issuance of certificates of participation and \$1,996,893 in expenditures. During fiscal year 2019, the building fund's fund balance increased \$11,003,107 from a balance of \$0 to a balance of \$11,003,107.

Using the Basic Financial Statements

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

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Reporting the Career Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Career Center to provide programs and activities, the view of the Career Center as a whole looks at all financial transactions and asks the question, "How did the Career Center do financially during fiscal year 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the Career Center's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the Career Center's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Required Supplementary Information

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

The Career Center as a Whole

The statement of net position provides the perspective of the Career Center as a whole. The table below provides a summary of the Career Center's net position for June 30, 2019 and June 30, 2018.

	Net Position	
	Governmental Activities 2019	Governmental Activities 2018
<u>Assets</u>		
Current and other assets	\$ 32,946,192	\$ 19,675,344
Net OPEB asset	1,083,107	-
Capital assets, net	<u>13,163,815</u>	<u>10,812,948</u>
Total assets	<u>47,193,114</u>	<u>30,488,292</u>
<u>Deferred Outflows of Resources</u>		
Pensions	6,285,790	5,985,039
OPEB	<u>1,054,262</u>	<u>185,828</u>
Total deferred outflows of resources	<u>7,340,052</u>	<u>6,170,867</u>
<u>Liabilities</u>		
Current liabilities	2,349,340	1,497,699
Long-term liabilities:		
Due within one year	1,297,469	521,395
Due in more than one year:		
Net pension liability	22,090,772	20,908,569
Net OPEB liability	3,312,717	4,856,449
Other amounts	<u>19,907,632</u>	<u>8,029,755</u>
Total liabilities	<u>48,957,930</u>	<u>35,813,867</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next fiscal year	8,491,066	8,928,443
Pensions	1,366,294	969,582
OPEB	<u>2,035,735</u>	<u>645,746</u>
Total deferred inflows of resources	<u>11,893,095</u>	<u>10,543,771</u>
<u>Net Position</u>		
Net investment in capital assets	3,998,351	3,942,421
Restricted	4,444,713	2,552,558
Unrestricted (deficit)	<u>(14,760,923)</u>	<u>(16,193,458)</u>
Total net position (deficit)	<u>\$ (6,317,859)</u>	<u>\$ (9,698,479)</u>

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Career 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 and the net OPEB asset.

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/asset and the net OPEB liability/asset to equal the Career 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 Career 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/asset. 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/asset are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

In accordance with GASB 68 and GASB 75, the Career 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/asset, respectively, not accounted for as deferred inflows/outflows.

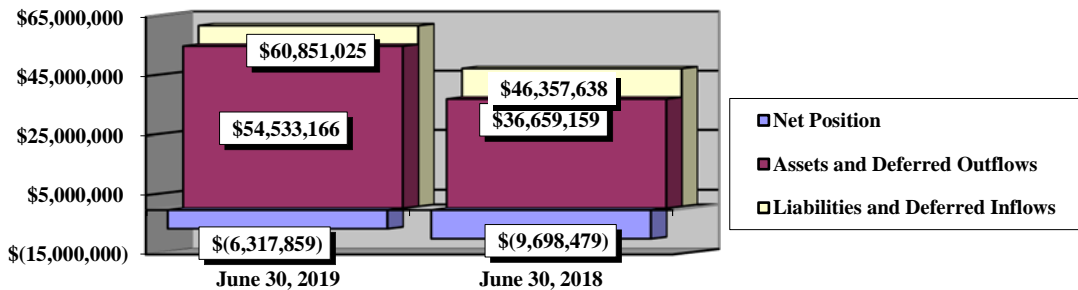
Current and other assets increased primarily due to an increase in cash and cash equivalents as a result of the issuance of certificates of participation for the building project. The Career Center's building project consists of constructing, enlarging and improving, furnishing and equipping, and leasing eventual acquisition of two buildings on the Career Center's campus. At fiscal year-end, capital assets represented 27.89% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. The Career Center's net investment in capital assets at June 30, 2019 was \$3,998,351. These capital assets are used to provide services to the students and are not available for future spending. Although the Career Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. The Career Center had no bonded debt outstanding at June 30, 2019; however, the Career Center did have school improvement notes as well as certificates of participation outstanding at June 30, 2019 that were used to acquire capital assets.

Current liabilities increased due to increases in contracts payable and retainage payable for invoices due at June 30, 2019 but paid after July 1, 2019 related to the building project. Long-term liabilities increased due to the issuance of certificates of participation during the fiscal year.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the Career Center's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$6,317,859. A portion of the Career Center's net position, \$4,444,713, represents resources that are subject to external restrictions on how they may be used. The remaining amount of the Career Center's net position was a deficit balance of \$14,760,923.

The graph below illustrates the Career Center's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2019 and June 30, 2018.

Governmental Activities



**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The table below shows the change in net position for fiscal years 2019 and 2018.

	Change in Net Position	
	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 3,397,529	\$ 3,274,205
Operating grants and contributions	4,093,636	5,873,002
General revenues:		
Taxes	10,395,980	9,431,229
Grants and entitlements	4,065,951	3,760,565
Investment earnings	529,258	83,754
Miscellaneous	<u>120,111</u>	<u>170,912</u>
Total revenues	<u>22,602,465</u>	<u>22,593,667</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	1,329,337	689,835
Special	749,188	294,757
Vocational	5,428,851	2,931,676
Adult/continuing	3,056,726	3,130,566
Support services:		
Pupil	950,720	443,326
Instructional staff	862,886	488,572
Board of education	59,069	48,838
Administration	2,256,997	1,244,697
Fiscal	785,024	420,377
Business	3,134	3,126
Operations and maintenance	2,074,706	1,504,905
Pupil transportation	30,679	15,715
Central	347,025	330,618
Operation of non-instructional services:		
Food service operations	434,648	330,954
Other non-instructional services	176,685	155,052
Interest and fiscal charges	<u>676,170</u>	<u>287,120</u>
Total expenses	<u>19,221,845</u>	<u>12,320,134</u>
Change in net position	3,380,620	10,273,533
Net position at beginning of year	<u>(9,698,479)</u>	<u>(19,972,012)</u>
Net position at end of year	<u>\$ (6,317,859)</u>	<u>\$ (9,698,479)</u>

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Governmental Activities

Net position of the Career Center's governmental activities has increased by \$3,380,620 or 34.86% from fiscal year 2018. Total governmental expenses of \$19,221,845 were offset by program revenues of \$7,491,165 and general revenues of \$15,111,300. Program revenues supported 38.97% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from taxes, and unrestricted grants and entitlements. These two revenue sources represent 63.98% of total governmental revenue. Total revenues remained comparable to the prior year, increasing less than 1%. Taxes increased due to a full fiscal year of collections related to the 0.5 mill permanent improvement levy passed in November 2017. Investment earnings increased due to increased interest rates on investments of the Career Center and increased monies to invest. Operating grants and contributions revenue decreased due to the Career Center losing the competitive grant from the Workforce Investment Act (WIA). Grants and entitlements increased due to the Career Center receiving increased foundation funding from the State of Ohio. All other revenues remained comparable to the prior year.

Overall, expenses of the governmental activities increased \$6,901,711 or 56.02%. This increase is primarily the result of the STRS indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability reported at June 30, 2018 and the subsequent expenses reported for fiscal year 2018 when compared fiscal year 2017.

On an accrual basis, the Career Center reported \$2,659,187 and (\$6,364,316) in pension expense for fiscal year 2019 and 2018, respectively. In addition, the Career Center reported (\$2,067,410) and (\$684,565) in OPEB expense for fiscal year 2019 and 2018, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2018 to fiscal year 2019 was \$7,640,658. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities. The Career Center's total expenses for fiscal year 2019 are comparable to total fiscal year 2017 expenses.

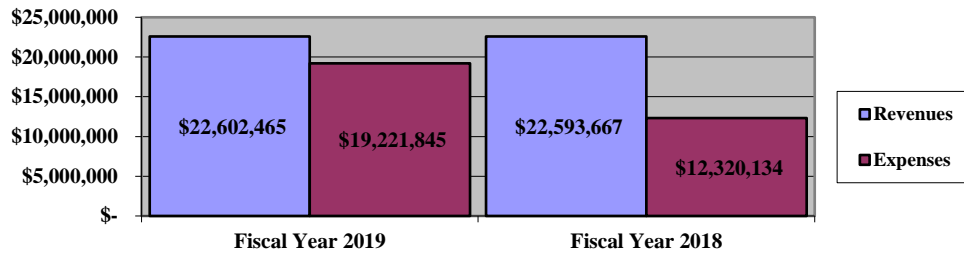
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**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The graph below presents the Career Center's governmental activities revenues and expenses for fiscal years 2019 and 2018.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The table on the following page shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2019 and 2018. It identifies the cost of these services supported by tax revenue, unrestricted grants and entitlements, and other general revenues.

Governmental Activities

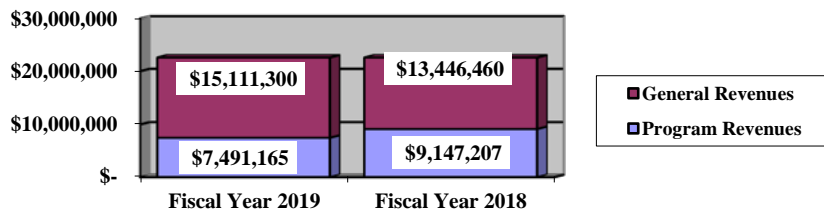
	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Program expenses				
Instruction:				
Regular	\$ 1,329,337	\$ 1,329,337	\$ 689,835	\$ 689,835
Special	749,188	749,188	294,757	294,757
Vocational	5,428,851	2,565,184	2,931,676	534,164
Adult/continuing	3,056,726	(23,206)	3,130,566	(2,020,005)
Support services:				
Pupil	950,720	493,359	443,326	(12,992)
Instructional staff	862,886	861,086	488,572	486,352
Board of education	59,069	59,069	48,838	48,838
Administration	2,256,997	1,833,327	1,244,697	792,514
Fiscal	785,024	785,024	420,377	420,377
Business	3,134	3,134	3,126	3,126
Operations and maintenance	2,074,706	2,021,383	1,504,905	1,452,045
Pupil transportation	30,679	30,679	15,715	15,715
Central	347,025	347,025	330,618	330,618
Operation of non-instructional services:				
Food service operations	434,648	10,561	330,954	(90,319)
Other non-instructional services	176,685	31,710	155,052	(11,024)
Interest and fiscal charges	676,170	633,820	287,120	238,926
Total expenses	<u>\$ 19,221,845</u>	<u>\$ 11,730,680</u>	<u>\$ 12,320,134</u>	<u>\$ 3,172,927</u>

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The dependence upon taxes and other general revenues for governmental activities is apparent, as 61.03% of all governmental activities are supported through taxes and other general revenues. The Career Center's taxpayers and unrestricted grants and entitlements, as a whole, are the primary support for the Career Center's students. The graph below presents the Career Center's governmental activities revenue for fiscal years 2019 and 2018.

Governmental Activities - General and Program Revenues



The Career Center's Funds

At June 30, 2019, the Career Center's governmental funds reported a combined fund balance of \$21,380,805, which is more than last year's total balance of \$8,519,066. The table below indicates the fund balance and the total change in fund balance as of June 30, 2019 and June 30, 2018.

	Fund Balance June 30, 2019	Fund Balance June 30, 2018	Increase/ (Decrease)
General	\$ 6,951,263	\$ 6,417,569	\$ 533,694
Adult education	243,543	319,909	(76,366)
Permanent improvement	3,201,184	1,770,519	1,430,665
Building	11,003,107	-	11,003,107
Nonmajor governmental	<u>(18,292)</u>	<u>11,069</u>	<u>(29,361)</u>
Total	<u><u>\$ 21,380,805</u></u>	<u><u>\$ 8,519,066</u></u>	<u><u>\$ 12,861,739</u></u>

An analysis of the general fund revenues and expenditures is provided below.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

General Fund

The Career Center's general fund balance increased \$533,694 from \$6,417,569 to \$6,951,263. The tables that follow assist in illustrating the fiscal year 2019 revenues and expenditures of the general fund.

	2019 Amount	2018 Amount	Change
<u>Revenues</u>			
Property taxes	\$ 8,681,837	\$ 8,318,674	4.37 %
Tuition	595,291	510,514	16.61 %
Earnings on investments	525,980	76,414	588.33 %
Extracurricular	16,210	13,859	16.96 %
Classroom materials and fees	91,025	99,434	(8.46) %
Other	181,762	246,683	(26.32) %
Intergovernmental	6,288,765	5,655,612	11.20 %
Total	<u>\$ 16,380,870</u>	<u>\$ 14,921,190</u>	9.78 %

	2019 Amount	2018 Amount	Percentage Change
<u>Expenditures</u>			
Instruction	\$ 7,661,755	\$ 7,264,660	5.47 %
Support services	6,329,230	6,114,553	3.51 %
Operation of non-instructional services	176,981	158,090	11.95 %
Facilities acquisition and construction	377,857	242,172	56.03 %
Debt service	785,828	792,549	(0.85) %
Total	<u>\$ 15,331,651</u>	<u>\$ 14,572,024</u>	5.21 %

Total revenues of the general fund increased \$1,459,680 or 9.78%. Tuition increased due to increased open enrollment. Earnings on investment increased due to increased interest rates and more monies to invest. Intergovernmental revenue increased due to increases in state foundation funding. Other revenues decreased due to the Career Center receiving less refunds and rebates during the fiscal year. All other revenue classifications were comparable to the prior year or insignificant in amount.

Total expenditures of the general fund increased 5.21%. Operation of non-instructional services increased \$18,891 primarily due to increased shared services. Facilities acquisition and construction increased as the Career Center began upgrading facilities and equipment. All other expenditures remained comparable to the prior fiscal year.

Adult Education Fund

The adult education fund had \$2,914,366 in revenues and \$2,995,205 in expenditures. During fiscal year 2019, the adult education fund's fund balance decreased \$76,366 from a balance of \$319,909 to a balance of \$243,543. Tuition revenue increased \$146,950 and adult/continuing expenditures increased \$131,804. The Career Center continues to closely monitor the adult education revenues to ensure they are sufficient to cover the related costs of the adult education programs.

Permanent Improvement Fund

The permanent improvement fund had \$2,257,262 in revenues and other financing sources and \$826,597 in expenditures. During fiscal year 2019, the permanent improvement fund's fund balance increased \$1,430,665 from a balance of \$1,770,519 to a balance of \$3,201,184.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Building Fund

The building fund had \$13,000,000 in other financing sources related to the issuance of certificates of participation and \$1,996,893 in expenditures. During fiscal year 2019, the building fund's fund balance increased \$11,003,107 from a balance of \$0 to a balance of \$11,003,107.

General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues and other financing sources of \$15,229,000 were increased \$30,639 to the final budgeted revenues and other financing sources of \$15,259,639. Actual revenues and other financing sources for fiscal year 2019 were \$15,786,513. This represents an increase of \$526,874 over the final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$16,018,048 matched the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2019 totaled \$15,906,554, which was \$111,494 less than the final budgeted amounts. The Career Center had actual expenditures under final appropriations primarily in the areas of vocational instruction and instructional staff support services.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the Career Center had \$13,163,815 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2019 balances compared to June 30, 2018.

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

	Governmental Activities	
	2019	2018
Land	\$ 411,420	\$ 411,420
CIP	2,310,650	-
Land improvements	220,455	167,780
Buildings and improvements	9,308,425	9,405,856
Furniture and equipment	681,197	619,304
Vehicles	231,668	208,588
Total	\$ 13,163,815	\$ 10,812,948

The overall increase in capital assets of \$2,350,867 is due to current year additions of \$2,549,317 exceeding depreciation expense of \$198,450.

See Note 8 to the basic financial statements for additional information on the Career Center's capital assets.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Debt Administration

At June 30, 2019, the Career Center had \$266,000 in school improvement notes outstanding, \$720,000 in energy conservation notes outstanding, and \$19,180,000 in certificates of participation outstanding. Of this total, \$1,205,000 is due within one year and \$18,961,000 is due in more than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2019	Governmental Activities 2018
	<u>2019</u>	<u>2018</u>
School improvement notes	\$ 266,000	\$ 424,000
Energy conservation notes	720,000	840,000
Certificates of participation	<u>19,180,000</u>	<u>6,415,000</u>
Total	<u>\$ 20,166,000</u>	<u>\$ 7,679,000</u>

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

Current Financial Related Activities

The Career Center is reporting an overall increase in net position of \$10,273,533 using the full accrual basis of accounting. As the financial statements report, the Career Center relies heavily upon grants, entitlements, and local property taxes (over 67% of total revenues).

The Career Center replaced a ½ mill levy in calendar year 2013 and made it permanent. All tax levies are now permanent, which will provide some needed stability in tax revenues moving forward. The Career Center is fortunate to enjoy this support from the local taxpayers. The Career Center passed a 1/2 mill permanent improvement levy on November 7, 2017. This levy will cost a taxpayer \$16 per year on a \$100,000 property. The levy is needed to provide the facilities and equipment necessary for state-of-the-art advanced skill training and to maintain and improve current facilities. The Career Center has recently completed a COPS issuance for 15 years to borrow \$13,000,000 for facility improvements.

To expand further on the training it offers for students in the robotics, engineering, STEM and manufacturing career tech programs, the Career Center has partnered with Robotics and Advanced Manufacturing Technology Education Collaborative (RAMTEC). This statewide initiative has provided a \$500,000 Straight A grant to assist the Career Center with enhancing student training through the latest advanced manufacturing equipment. Local dollars will be used to add an additional 2750 sq. ft. of training space in several career tech training labs. Involved Career Center instructors will also receive high-tech training to become certified to teach the new curriculum. In addition to enhancing high school and adult education programs, customized training will be available through RAMTEC for area manufacturers to strengthen our area's workforce by training new employees and enhancing current employees' skillsets.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The Career Center has been selected to receive a 3D printing package through the General Electric (GE) Additive Education Program. The grant package includes two 3D printers, Polar Cloud Premium Membership, filament rolls, STEAMtrax license and Polar Farm access. Through Polar Cloud and STEAMtrax, EHOVE instructors and students will have access to curricula and special programming for the life of the program, be eligible to compete in GE Program Challenges, and utilize GE's bank of printers to manage overflow situations. The GE Additive Education Program provides these grant opportunities because, according to www.geadditive.com, "GE believes giving students access to additive technologies will help accelerate the adoption of advanced manufacturing worldwide. That's why GE is investing \$10 million over the next five years in educational programs aimed at developing future additive talent. It's all part of GE's passion for improving student outcome and introducing future generations to new technologies."

In conclusion, the Career Center has committed itself to excellence for many years and will continue to be both innovative, and a leader, in the education and training of students in the three-county area. These financial statements represent the continued effort to keep the residents informed of the excellent use of their tax dollars for career technical training needed by Career Center students and expected by the Career Center's business partners.

Contacting the Career Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Career Center's finances and to show the Career Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Timothy R. Coffman, Treasurer, EHOVE Career Center, 316 W. Mason Road, Milan, Ohio 44846.

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**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 21,782,102
Receivables:	
Property taxes	10,495,901
Accounts	510,310
Accrued interest	19,484
Intergovernmental	107,582
Prepayments	17,230
Materials and supplies inventory	5,621
Inventory held for resale	7,962
Net OPEB asset (Note 13)	1,083,107
Capital assets:	
Nondepreciable capital assets	2,722,070
Depreciable capital assets, net	10,441,745
Capital assets, net	13,163,815
Total assets	47,193,114
 Deferred outflows of resources:	
Pension (Note 12)	6,285,790
OPEB (Note 13)	1,054,262
Total deferred outflows of resources	7,340,052
 Liabilities:	
Accounts payable	72,356
Contracts payable	692,431
Retainage payable	115,997
Accrued wages and benefits payable	1,033,753
Intergovernmental payable	37,047
Pension and postemployment benefits payable	241,189
Accrued interest payable	129,267
Unearned revenue	27,300
Long-term liabilities:	
Due within one year	1,297,469
Due in more than one year:	
Net pension liability (Note 12)	22,090,772
Net OPEB liability (Note 13)	3,312,717
Other amounts due in more than one year	19,907,632
Total liabilities	48,957,930
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	8,491,066
Pension (Note 12)	1,366,294
OPEB (Note 13)	2,035,735
Total deferred inflows of resources	11,893,095
 Net position:	
Net investment in capital assets	3,998,351
Restricted for:	
Capital projects	3,855,165
Federally funded programs	33,925
Adult education programs	555,623
Unrestricted (deficit)	(14,760,923)
Total net position (deficit)	\$ (6,317,859)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 1,329,337	\$ -	\$ -	\$ (1,329,337)
Special	749,188	-	-	(749,188)
Vocational	5,428,851	595,291	2,268,376	(2,565,184)
Adult/continuing	3,056,726	1,978,385	1,101,547	23,206
Support services:				
Pupil	950,720	59,938	397,423	(493,359)
Instructional staff	862,886	-	1,800	(861,086)
Board of education	59,069	-	-	(59,069)
Administration	2,256,997	351,582	72,088	(1,833,327)
Fiscal	785,024	-	-	(785,024)
Business	3,134	-	-	(3,134)
Operations and maintenance	2,074,706	44,752	8,571	(2,021,383)
Pupil transportation	30,679	-	-	(30,679)
Central	347,025	-	-	(347,025)
Operation of non-instructional services:				
Food service operations	434,648	222,606	201,481	(10,561)
Other non-instructional services	176,685	144,975	-	(31,710)
Interest and fiscal charges	676,170	-	42,350	(633,820)
Total governmental activities	\$ 19,221,845	\$ 3,397,529	\$ 4,093,636	(11,730,680)
General revenues:				
Property taxes levied for:				
General purposes				8,682,844
Capital outlay				1,713,136
Grants and entitlements not restricted to specific programs				4,065,951
Investment earnings				529,258
Miscellaneous				120,111
Total general revenues				15,111,300
Change in net position				3,380,620
Net position (deficit) at beginning of year				(9,698,479)
Net position (deficit) at end of year				\$ (6,317,859)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General</u>	<u>Adult Education</u>	<u>Permanent Improvement</u>	<u>Building</u>
Assets:				
Equity in pooled cash and investments	\$ 6,759,134	\$ 300,213	\$ 2,904,834	\$ 11,811,535
Receivables:				
Property taxes	8,809,848	-	1,686,053	-
Accounts	28,365	480,900	-	-
Accrued interest	19,484	-	-	-
Interfund loans	23,609	-	-	-
Intergovernmental	15,787	-	-	-
Prepayments	14,067	2,868	-	-
Materials and supplies inventory	5,100	-	-	-
Inventory held for resale	-	5,852	-	-
Total assets	<u>\$ 15,675,394</u>	<u>\$ 789,833</u>	<u>\$ 4,590,887</u>	<u>\$ 11,811,535</u>
Liabilities:				
Accounts payable	\$ 55,287	\$ 9,058	\$ -	\$ -
Contracts payable	-	-	-	692,431
Retainage payable	-	-	-	115,997
Accrued wages and benefits payable	956,816	32,624	-	-
Compensated absences payable	68,035	-	-	-
Intergovernmental payable	35,975	473	-	-
Pension and postemployment benefits payable	218,187	5,355	-	-
Interfund loans payable	-	-	-	-
Unearned revenue	-	27,300	-	-
Total liabilities	<u>1,334,300</u>	<u>74,810</u>	<u>-</u>	<u>808,428</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	7,137,416	-	1,353,650	-
Delinquent property tax revenue not available	209,848	-	36,053	-
Intergovernmental revenue not available	13,551	-	-	-
Accrued interest not available	14,556	-	-	-
Miscellaneous revenue not available	300	4,323	-	-
Classroom materials and fees revenue not available	14,160	-	-	-
Tuition revenue not available	-	467,157	-	-
Total deferred inflows of resources	<u>7,389,831</u>	<u>471,480</u>	<u>1,389,703</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	5,100	-	-	-
Prepays	14,067	2,868	-	-
Unclaimed monies	1,844	-	-	-
Restricted:				
Capital improvements	-	-	3,201,184	11,003,107
Adult education	-	240,675	-	-
Vocational education	-	-	-	-
Other purposes	-	-	-	-
Committed:				
Termination benefits	243,905	-	-	-
Assigned:				
Student instruction	35,547	-	-	-
Student and staff support	168,802	-	-	-
Facilities acquisition and construction	37,186	-	-	-
Subsequent year's appropriations	83,280	-	-	-
School supplies	17,136	-	-	-
Other purposes	136,374	-	-	-
Unassigned (deficit)	6,208,022	-	-	-
Total fund balances	<u>6,951,263</u>	<u>243,543</u>	<u>3,201,184</u>	<u>11,003,107</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 15,675,394</u>	<u>\$ 789,833</u>	<u>\$ 4,590,887</u>	<u>\$ 11,811,535</u>

(Continued)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,386	\$ 21,782,102
-	10,495,901
1,045	510,310
-	19,484
-	23,609
91,795	107,582
295	17,230
521	5,621
2,110	7,962
<u>\$ 102,152</u>	<u>\$ 32,969,801</u>
\$ 8,011	\$ 72,356
-	692,431
-	115,997
44,313	1,033,753
-	68,035
599	37,047
17,647	241,189
23,609	23,609
-	27,300
<u>94,179</u>	<u>2,311,717</u>
-	8,491,066
-	245,901
26,265	39,816
-	14,556
-	4,623
-	14,160
-	467,157
<u>26,265</u>	<u>9,277,279</u>
521	5,621
295	17,230
-	1,844
-	14,204,291
5,597	246,272
1,867	1,867
2,027	2,027
-	243,905
-	35,547
-	168,802
-	37,186
-	83,280
-	17,136
-	136,374
(28,599)	6,179,423
<u>(18,292)</u>	<u>21,380,805</u>
<u>\$ 102,152</u>	<u>\$ 32,969,801</u>

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

Total governmental fund balances		\$	21,380,805
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			13,163,815
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows and outflows in the funds.			
Property taxes receivable	\$	245,901	
Accounts receivable		485,940	
Accrued interest receivable		14,556	
Intergovernmental receivable		39,816	
Total		786,213	786,213
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - Pension		6,285,790	
Deferred Inflows - Pension		(1,366,294)	
Net pension liability		(22,090,772)	
Total		(17,171,276)	(17,171,276)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds.			
Net OPEB asset		1,083,107	
Deferred outflows - OPEB		1,054,262	
Deferred Inflows - OPEB		(2,035,735)	
Net OPEB liability		(3,312,717)	
Total		(3,211,083)	(3,211,083)
Unamortized premiums on bonds issued are not recognized in the funds.			(29,893)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(129,267)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(941,173)	
Certificates of participation		(19,180,000)	
Notes payable		(986,000)	
Total		(21,107,173)	(21,107,173)
Net position (deficit) of governmental activities		\$	(6,317,859)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Adult Education</u>	<u>Permanent Improvement</u>	<u>Building</u>
Revenues:				
From local sources:				
Property taxes	\$ 8,681,837	\$ -	\$ 1,708,557	\$ -
Tuition.	595,291	2,368,290	-	-
Earnings on investments	525,980	-	-	-
Charges for services	-	-	-	-
Extracurricular.	16,210	-	-	-
Classroom materials and fees	91,025	-	-	-
Rental income	2,950	-	-	-
Contributions and donations	21,366	-	-	-
Contract services.	37,335	51,895	-	-
Other local revenues	120,111	-	-	-
Intergovernmental - state	6,246,415	494,181	48,705	-
Intergovernmental - federal	42,350	-	-	-
Total revenues	<u>16,380,870</u>	<u>2,914,366</u>	<u>1,757,262</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular.	1,408,028	-	-	-
Special	790,099	-	-	-
Vocational	5,463,628	-	-	-
Adult/continuing	-	2,431,849	-	-
Support services:				
Pupil	504,897	74,487	-	-
Instructional staff	909,872	-	-	-
Board of education	60,266	-	-	-
Administration	1,932,823	436,920	-	-
Fiscal	663,384	-	30,350	115,750
Business.	2,029	-	-	-
Operations and maintenance	1,878,674	51,949	-	-
Pupil transportation	32,299	-	-	-
Central	344,986	-	-	-
Operation of non-instructional services:				
Food service operations.	-	-	-	-
Other non-instructional services	176,981	-	-	-
Facilities acquisition and construction.	377,857	-	463,610	1,881,143
Debt service:				
Principal retirement.	513,000	-	-	-
Interest and fiscal charges	272,828	-	332,637	-
Total expenditures	<u>15,331,651</u>	<u>2,995,205</u>	<u>826,597</u>	<u>1,996,893</u>
Excess of revenues over (under) expenditures	<u>1,049,219</u>	<u>(80,839)</u>	<u>930,665</u>	<u>(1,996,893)</u>
Other financing sources (uses):				
Issuance of certificates of participation.	-	-	-	13,000,000
Transfers in.	-	-	500,000	-
Transfers (out)	(515,025)	-	-	-
Total other financing sources (uses)	<u>(515,025)</u>	<u>-</u>	<u>500,000</u>	<u>13,000,000</u>
Net change in fund balances	534,194	(80,839)	1,430,665	11,003,107
Fund balances at beginning of year.	6,417,569	319,909	1,770,519	-
Increase (decrease) in reserve for inventory	(500)	4,473	-	-
Fund balances at end of year.	<u>\$ 6,951,263</u>	<u>\$ 243,543</u>	<u>\$ 3,201,184</u>	<u>\$ 11,003,107</u>

(Continued)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 10,390,394
-	2,963,581
-	525,980
222,606	222,606
-	16,210
-	91,025
-	2,950
-	21,366
21,518	110,748
-	120,111
120,049	6,909,350
1,186,645	1,228,995
<u>1,550,818</u>	<u>22,603,316</u>
-	1,408,028
-	790,099
4,000	5,467,628
722,560	3,154,409
421,342	1,000,726
1,800	911,672
-	60,266
-	2,369,743
-	809,484
-	2,029
-	1,930,623
-	32,299
-	344,986
444,640	444,640
-	176,981
-	2,722,610
-	513,000
-	605,465
<u>1,594,342</u>	<u>22,744,688</u>
<u>(43,524)</u>	<u>(141,372)</u>
-	13,000,000
15,025	515,025
-	(515,025)
<u>15,025</u>	<u>13,000,000</u>
(28,499)	12,858,628
11,069	8,519,066
(862)	3,111
<u>\$ (18,292)</u>	<u>\$ 21,380,805</u>

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	\$	12,858,628
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense:		
Capital asset additions	\$ 2,549,317	
Current year depreciation	<u>(198,450)</u>	
Total		2,350,867
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		3,111
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	5,586	
Tuition	(10,483)	
Earnings on investments	3,278	
Classroom materials and fees	405	
Other local revenues	777	
Intergovernmental	<u>(414)</u>	
Total		(851)
Repayment of long-term obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Certificates of participation	235,000	
Notes	<u>278,000</u>	
Total		513,000
Issuance of certificates of participation are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as revenue as they increase liabilities on the statement of net position.		
		(13,000,000)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,381,023
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,659,187)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		37,874
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.		
		2,067,410
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Increase in accrued interest payable	(72,339)	
Amortization of certificates of participation premiums	<u>1,634</u>	
Total		(70,705)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(100,550)</u>
Change in net position of governmental activities	\$	<u>3,380,620</u>

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 8,700,000	\$ 8,201,355	\$ 8,489,452	\$ 288,097
Tuition	435,000	575,090	595,292	20,202
Earnings on investments	110,000	404,831	419,052	14,221
Rental income	2,500	2,850	2,950	100
Contributions and donations	1,000	-	-	-
Other local revenues	145,000	70,652	73,134	2,482
Intergovernmental - state	5,770,500	5,939,861	6,148,516	208,655
Total revenues	<u>15,164,000</u>	<u>15,194,639</u>	<u>15,728,396</u>	<u>533,757</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,394,451	1,394,451	1,353,261	41,190
Special	717,905	717,905	759,799	(41,894)
Vocational	5,610,103	5,610,103	5,483,272	126,831
Support services:				
Pupil	515,322	515,322	537,963	(22,641)
Instructional staff	882,288	882,288	860,866	21,422
Board of education	71,518	71,518	59,470	12,048
Administration	1,875,533	1,875,533	1,939,711	(64,178)
Fiscal	681,272	681,272	662,845	18,427
Business	1,886	1,886	2,065	(179)
Operations and maintenance	2,133,944	2,133,944	1,987,952	145,992
Pupil transportation	34,974	34,974	33,210	1,764
Central	385,454	385,454	360,244	25,210
Facilities acquisition and construction	430,398	430,398	415,043	15,355
Debt service:				
Principal	500,000	500,000	513,000	(13,000)
Interest and fiscal charges	283,000	283,000	272,828	10,172
Total expenditures	<u>15,518,048</u>	<u>15,518,048</u>	<u>15,241,529</u>	<u>276,519</u>
Excess of revenues over (under) expenditures	<u>(354,048)</u>	<u>(323,409)</u>	<u>486,867</u>	<u>810,276</u>
Other financing sources (uses):				
Refund of prior year's expenditures	30,000	30,000	28,907	(1,093)
Transfers (out)	(500,000)	(500,000)	(665,025)	(165,025)
Sale of assets	35,000	35,000	29,210	(5,790)
Total other financing sources (uses)	<u>(435,000)</u>	<u>(435,000)</u>	<u>(606,908)</u>	<u>(171,908)</u>
Net change in fund balance	(789,048)	(758,409)	(120,041)	638,368
Fund balance at beginning of year	5,511,089	5,511,089	5,511,089	-
Prior year encumbrances appropriated	537,639	537,639	537,639	-
Fund balance at end of year	<u>\$ 5,259,680</u>	<u>\$ 5,290,319</u>	<u>\$ 5,928,687</u>	<u>\$ 638,368</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ADULT EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Tuition	\$ 2,490,885	\$ 2,490,885	\$ 2,381,604	\$ (109,281)
Contract services	55,000	55,000	51,895	(3,105)
Other local revenues	20,000	20,000	(463)	(20,463)
Intergovernmental - state	500,000	500,000	494,181	(5,819)
Total revenue	<u>3,065,885</u>	<u>3,065,885</u>	<u>2,927,217</u>	<u>(138,668)</u>
Expenditures:				
Current:				
Instruction:				
Adult/continuing	2,890,930	2,890,930	2,442,197	448,733
Support Services:				
Pupil	68,202	68,202	77,592	(9,390)
Administration	427,835	427,835	442,809	(14,974)
Operations and maintenance	52,943	52,943	51,943	1,000
Total expenditures	<u>3,439,910</u>	<u>3,439,910</u>	<u>3,014,541</u>	<u>425,369</u>
Excess of revenues (under) expenditures	<u>(374,025)</u>	<u>(374,025)</u>	<u>(87,324)</u>	<u>286,701</u>
Other financing sources (uses):				
Refund of prior year's expenditures	-	-	38	38
Transfers in	50,000	50,000	-	(50,000)
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>38</u>	<u>(49,962)</u>
Net change in fund balance	(324,025)	(324,025)	(87,286)	236,739
Fund balance at beginning of year	326,585	326,585	326,585	-
Prior year encumbrances appropriated	35,521	35,521	35,521	-
Fund balance at end of year	<u>\$ 38,081</u>	<u>\$ 38,081</u>	<u>\$ 274,820</u>	<u>\$ 236,739</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2019

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments	\$ 83,800
Liabilities:	
Accounts payable.	\$ 108
Due to students.	83,692
Total liabilities	<u>\$ 83,800</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - DESCRIPTION OF THE CAREER CENTER

The EHOVE Career Center (“Career Center”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Career Center is a joint vocational school district as defined by 3311.16 of the Ohio Revised Code. The Career Center operates under an appointed Board of Education (nine members) and is responsible for the provision of public education to residents of the Career Center.

Average daily membership (ADM) as of October 1, 2018, was 868. The Career Center employed 12 administrative and supervisory personnel, 58 certified employees, and 66 non-certified employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

JOINTLY GOVERNED ORGANIZATIONS

The Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among area schools. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among members. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of a dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. The NOECA Assembly consists of the Superintendent from each participating school and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the Chairman of each of the operating committees, and two NOECA Assembly members from each county in which participating schools are located. The degree of control exercised by any participating school is limited to its representation on the Board of Directors. The Career Center paid \$26,222 to NOECA for services during fiscal year 2019. Financial information can be obtained by contacting Matthew Bauer, who serves as Controller, at 4918 Milan Road, Sandusky, Ohio 44870.

Bay Area Council of Governments

The Bay Area Council of Governments (the "Council") consists of numerous school districts representing seven counties (Crawford, Erie, Huron, Ottawa, Sandusky, Seneca, and Wood). This jointly governed organization was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the Council are natural gas and insurance. The only cost to the Career Center is an administrative charge if it purchases something through the Council. The Council consists of the Superintendent of each school. The Board of Directors consists of one elected representative from each county, the Superintendent of the fiscal agent, and two non-voting members (Administrator and Fiscal Officer).

Members of the Board of Directors serve two-year terms, which are staggered. The Career Center paid \$41,733 to the Council for services provided during fiscal year 2019. Financial information can be obtained by contacting Matthew Bauer, who serves as Fiscal Officer, at 4918 Milan Road, Sandusky, Ohio 44870.

PUBLIC ENTITY RISK POOLS

Health Benefits

The Huron-Erie School Employees Insurance Association (the "Association") is a shared risk pool, with participants from Erie and Huron Counties. The Association is governed by an Assembly, which consists of one representative from each participant (usually the Superintendent or designee). The Assembly elects officers for two-year terms to serve as the Board of Directors. The Assembly exercises control over the operation of the Association. All of the Association revenues are generated from charges for services. Financial information can be obtained by writing to the Fiscal Officer, at 4918 Milan Road, Sandusky, Ohio 44870.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Workers' Compensation

The Career Center participates in a retrospective group rating plan (the "Plan") for workers' compensation as established under Section 4123.29 of the Ohio Revised Code.

Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Fund Accounting

The Career Center uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Career Center activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The Career Center has no proprietary funds.

GOVERNMENTAL FUNDS

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

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

Adult education fund - The adult education special revenue fund is used to account for transactions made in connection with adult education classes. Revenues include, but are not limited to, tuition from patrons and students and reimbursements from the State Department of Education. Expenditures include supplies, salaries and textbooks.

Permanent improvement fund - The permanent improvement capital projects fund accounts for levy collections used for the acquisition, construction, or improvement of capital facilities.

Building fund - The building capital projects fund accounts for revenues and expenditures associated with the Career Center's building project.

Nonmajor governmental funds of the Career Center are used to account for financial resources that are restricted or committed to an expenditure for specified purposes.

PROPRIETARY FUNDS

Proprietary funds are used to account for activities that are similar to those often found in the private sector, where the determination of operating income, changes in net position, overall financial position and cash flows is necessary or useful to sound financial administration. The Career Center has no proprietary funds.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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 Career Center's only fiduciary funds are agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Career Center's agency funds account for student activities and Career Center agency responsibilities.

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

D. Basis of Accounting

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Career Center, see Note 12 and 13 for deferred outflows of resources related the Career Center's net pension liability and net OPEB liability/asset, respectively.

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Career Center, deferred inflows of resources include property taxes, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Career Center unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the Career Center, see Note 12 and 13 for deferred inflows of resources related to the Career Center's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgets

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

Tax Budget:

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Estimated Resources:

By April 1, the Board accepts, by formal resolution, the tax rates as determined by the Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. On or prior to June 30, the Career Center must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the Career Center Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final amended certificates of estimated resources issued during the fiscal year.

Appropriations:

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

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

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 budget amounts reflect the first appropriation amounts that covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Cash and Investments

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

During 2019, the Career Center has invested funds in negotiable certificates of deposits (negotiable CD's), U.S. government money market mutual funds, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal Home Loan Bank (FHLB) securities, commercial paper, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for investments in STAR Ohio, investments are reported at fair value which is based on quoted market prices.

During fiscal year 2019, the Career Center invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Career Center measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, 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, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$525,980, which includes \$295,513 assigned from other Career Center funds.

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

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

G. Inventory

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

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

H. Capital Assets

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 deductions during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Career Center’s capitalization threshold is \$10,000. The Career 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 and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 - 30 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 15 years

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental activities column on the statement of net position. Interfund loans receivable/payable are summarized in Note 5.A.

J. Compensated Absences

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2019, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2019 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability on the fund financial statements only to the extent that they are due for payment during the current year. Notes payable, certificates of participation outstanding, and tap-in fees payable are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Certificates of Participation Premiums

On the government-wide financial statements, certificates of participation premiums are deferred and amortized over the term of the certificates of participation using the straight-line method, which approximates the effective interest method. Certificates of participation premiums are presented as an addition to the face amount of the certificates of participation. On the governmental fund financial statements, certificates of participation premiums are recognized in the period in which they are incurred.

The reconciliation between the certificates of participation face value and the amount reported on the statement of net position is presented in Note 9.

M. Fund Balance

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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 Career Center Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Career 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 Career Center for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Career Center Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

N. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The Career Center had no net position restricted through enabling legislation.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

O. Prepayments

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

On the fund financial statements, prepaid items are equally offset by nonspendable fund balance in the governmental funds, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

P. Estimates

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

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. See Note 5.B. for details.

R. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net OPEB asset, 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.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2019.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

T. Fair Value Measurements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2019, the Career Center has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Career Center.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Career Center.

B. Deficit Fund Balances

Fund balances at June 30, 2019 included the following individual fund deficit:

<u>Nonmajor governmental fund</u>	<u>Deficit</u>
Food service	<u>\$ 28,599</u>

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

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Career 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 Career Center treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

1. United States Treasury 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 including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirement have been met;
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 (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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 Career 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Career Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the Career Center had \$300 in undeposited cash on hand, which is included on the financial statements of the Career Center as part of “equity in pooled cash and investments”.

B. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all Career Center deposits was \$468,813 and the bank balance of all Career Center deposits was \$941,260. Of the bank balance, \$466,037 was covered by the FDIC and \$475,223 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized.

Custodial credit risk is the risk that, in the event of bank failure, the Career Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Career Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Career Center and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) 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 fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the Career Center’s financial institutions pledged eligible securities whose fair value was at least 105 percent of the Career Center’s deposits secured. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Career Center to a successful claim by the FDIC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2019, the Career Center had the following investments and maturity:

Measurement/ Investment type	Measurement Amount	Investment Maturities			
		6 Months or Less	7 to 12 Months	13 to 18 Months	Greater Than 18 Months
<i>Fair Value:</i>					
Negotiable CDs	\$ 2,287,739	\$ 998,638	737,014	245,982	306,105
FHLMC	190,027	-	-	-	190,027
FHLB	752,002	-	-	-	752,002
Commercial paper	6,547,904	6,547,904	-	-	-
U.S. Government Money Market Mutual Fund	7,157,999	7,157,999	-	-	-
<i>Amortized Cost:</i>					
STAR Ohio	4,461,118	4,461,118	-	-	-
Total	<u>\$ 21,396,789</u>	<u>\$ 19,165,659</u>	<u>\$ 737,014</u>	<u>\$ 245,982</u>	<u>\$ 1,248,134</u>

The weighted average maturity of investments is 0.37 years.

The Career Center's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The Career Center's investments in negotiable CDs, FHLMC securities, FHLB securities, and commercial paper are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs). As discussed in Note 2.F, investments in STAR Ohio are measured at their net asset value per share.

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Career Center's investment policy limits investment portfolio maturities to approximately five years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity. The Career Center's investment policy permits investments in any security specifically authorized by Ohio Revised Code Sections 135.14, 135.142 and 135.45 as amended.

Credit Risk: Standard & Poor's has assigned STAR Ohio and the U.S government money market mutual fund an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The negotiable certificates of deposit are not rated, but are fully insured by the FDIC. The FHLMC securities and FHLB securities were rated AA+ and Aaa by Standard & Poor's and Moody's, respectively. The commercial paper was rated A-1+ and P-1 by Standard & Poor's and Moody's, respectively. The Career Center's investment policy does not address investment credit risk beyond the requirements of State statutes.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The Career Center places no dollar limit on the amount that may be invested in any one issuer. However, the Career Center's investment policy requires an effort to diversify its holdings of investments by avoiding concentrations of specific issuers. The following table includes the percentage of each investment type held by the Career Center at June 30, 2019:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
<i>Fair Value:</i>		
Negotiable CDs	\$ 2,287,739	10.69
FHLMC	190,027	0.89
FHLB	752,002	3.52
Commercial paper	6,547,904	30.60
U.S. Government Money		
Market Mutual Fund	7,157,999	33.45
<i>Amortized Cost:</i>		
STAR Ohio	<u>4,461,118</u>	<u>20.85</u>
Total	<u>\$ 21,396,789</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 468,813
Investments	21,396,789
Cash on hand	<u>300</u>
Total	<u>\$ 21,865,902</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 21,782,102
Agency funds	<u>83,800</u>
Total	<u>\$ 21,865,902</u>

**EHOVE CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2019 as reported on the fund financial statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 23,609</u>

The primary purpose of interfund balances is to cover costs in specific funds where revenues were not received by June 30. Interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2019 are reported on the statement of net position.

- B.** Interfund transfers for the year ended June 30, 2019, consisted of the following as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Permanent Improvement fund	\$ 500,000
Nonmajor governmental funds	<u>15,025</u>
Total	<u>\$ 515,025</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The Career Center receives property taxes from Erie, Huron, Ottawa, Sandusky, Seneca, Ashland, Richland and Lorain Counties. The County Auditors periodically advance to the Career Center their portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available as an advance at June 30, 2019 was \$1,462,584 in the general fund and \$296,350 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2018 was \$1,223,925 in the general fund and \$197,632 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 3,096,794,110	94.49	\$ 3,255,301,010	94.39
Public utility personal	<u>180,579,300</u>	<u>5.51</u>	<u>193,591,580</u>	<u>5.61</u>
Total	<u>\$ 3,277,373,410</u>	<u>100.00</u>	<u>\$ 3,448,892,590</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 4.45		\$ 4.45	

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 7 - RECEIVABLES

Receivables at June 30, 2019 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables, with the possible exception of accounts receivable related to the Career Center's adult education services, are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 10,495,901
Accounts	510,310
Accrued interest	19,484
Intergovernmental	<u>107,582</u>
Total	<u>\$ 11,133,277</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 411,420	\$ -	\$ -	\$ 411,420
Construction in progress	-	2,310,650	-	2,310,650
Total capital assets, not being depreciated	<u>411,420</u>	<u>2,310,650</u>	<u>-</u>	<u>2,722,070</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	195,128	67,091	-	262,219
Buildings and improvements	14,427,143	10,470	-	14,437,613
Furniture and equipment	2,201,619	119,584	-	2,321,203
Vehicles	616,688	41,522	-	658,210
Total capital assets, being depreciated	<u>17,440,578</u>	<u>238,667</u>	<u>-</u>	<u>17,679,245</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(27,348)	(14,416)	-	(41,764)
Buildings and improvements	(5,021,287)	(107,901)	-	(5,129,188)
Furniture and equipment	(1,582,315)	(57,691)	-	(1,640,006)
Vehicles	(408,100)	(18,442)	-	(426,542)
Total accumulated depreciation	<u>(7,039,050)</u>	<u>(198,450)</u>	<u>-</u>	<u>(7,237,500)</u>
Governmental activities capital assets, net	<u>\$ 10,812,948</u>	<u>\$ 2,350,867</u>	<u>\$ -</u>	<u>\$ 13,163,815</u>

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 649
Vocational	161,853
<u>Support services:</u>	
Board of education	263
Administration	2,398
Business	1,105
Operations and maintenance	25,192
Central	<u>6,990</u>
Total depreciation expense	<u>\$ 198,450</u>

NOTE 9 - LONG-TERM OBLIGATIONS

During fiscal year 2019, the following changes occurred in governmental activities' long-term obligations.

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due in One Year
Governmental activities:					
School improvement notes - direct borrowings	\$ 424,000	\$ -	\$ (158,000)	\$ 266,000	\$ 165,000
Energy conservation notes	840,000	-	(120,000)	720,000	120,000
Certificates of participation	6,415,000	13,000,000	(235,000)	19,180,000	920,000
Net OPEB liability	4,856,449	1,030,373	(2,574,105)	3,312,717	-
Net pension liability	20,908,569	2,034,193	(851,990)	22,090,772	-
Compensated absences	840,623	176,980	(8,395)	1,009,208	92,469
Total governmental activities	<u>34,284,641</u>	<u>\$ 16,241,546</u>	<u>\$(3,947,490)</u>	46,578,697	<u>\$ 1,297,469</u>
Add: unamortized premium	<u>31,527</u>			<u>29,893</u>	
Total on statement of net position	<u>\$ 34,316,168</u>			<u>\$ 46,608,590</u>	

School Improvement Notes: On June 30, 2005, the Career Center entered into a note agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program) for the purpose of improving, renovating, furnishing and equipping school buildings. This issuance is considered a direct borrowing in that the terms have been negotiated between the Career Center and the lender and are not offered for public sale. The proceeds of the note were received on July 7, 2005. The initial principal amount of the notes was \$1,527,000, with an interest rate of 4.225% and a maturity date of July 1, 2020.

On June 12, 2008, the Career Center entered into a note agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program) for the purpose of improving, renovating, furnishing and equipping school buildings. This issuance is considered a direct borrowing in that the terms have been negotiated between the Career Center and the lender and are not offered for public sale. The proceeds of the note were received on June 12, 2008. The initial principal amount of the notes was \$400,000, with an interest rate of 4.11% and a maturity date of December 1, 2022.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest payments in fiscal year 2019 totaled \$158,000 and \$18,549, respectively. These amounts are reported as debt service expenditures in the general fund. The following is a summary of the future debt service requirements to maturity for the school improvement notes:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 165,000	\$ 11,330	\$ 176,330
2021	32,000	3,791	35,791
2022	34,000	2,319	36,319
2023	<u>35,000</u>	<u>781</u>	<u>35,781</u>
Total	<u>\$ 266,000</u>	<u>\$ 18,221</u>	<u>\$ 284,221</u>

Energy Conservation Notes: On June 10, 2010, the Career Center entered into a note agreement with the Ohio School Facilities Commission (through the Qualified School Construction Bonds Program) for the purpose of purchasing and installing energy conservation measures. The proceeds of the note were received on June 24, 2010. The initial principal amount of the notes was \$1,800,000, with an interest rate of 5.375% and a maturity date of June 1, 2025. Principal and interest payments in fiscal year 2019 totaled \$120,000 and \$45,150, respectively. These amounts are reported as debt service expenditures in the general fund. The following is a summary of the future debt service requirements to maturity for the energy conservation notes:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 120,000	\$ 38,700	\$ 158,700
2021	120,000	32,250	152,250
2022	120,000	25,800	145,800
2023	120,000	19,350	139,350
2024	120,000	12,900	132,900
2025	<u>120,000</u>	<u>6,450</u>	<u>126,450</u>
Total	<u>\$ 720,000</u>	<u>\$ 135,450</u>	<u>\$ 855,450</u>

The energy conservation project was for building maintenance and repairs, which have not been capitalized by the Career Center.

Certificates of Participation – Series 2012: In August 2012, the Career Center issued \$7,500,000 in certificates of participation (“COPs”) to finance the acquisition, construction and overall improvement of Career Center facilities. As part of the official agreement, the Career Center’s land and buildings are being ground leased to the Agricultural Incubator Foundation (the “Foundation”), who will then sublease the land and buildings back to the Career Center for a series of rental payments. These rental payments will pay for the debt service requirements on the COPs. The COPs bear interest rates ranging from 2.00% to 3.75%. Principal on the COPs is due each October 15, beginning October 15, 2013, through and including October 15, 2037. The Foundation has assigned all of its rights in the transaction to The Huntington National Bank (the “Trustee”), which is serving as the trustee for the COPs. Principal and interest payments in fiscal year 2019 totaled \$235,000 and \$206,727, respectively. These amounts are reported as debt service expenditures in the general fund.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The obligation of the Career Center under the lease and any subsequent lease renewal is subject to the annual appropriation of the rental payments. Legal title to the facilities remains with the Trustee until all payments required under the lease have been made. In the event that sufficient monies are not appropriated or certified, the lease will terminate at the end of the current lease term and the Career Center will have no further obligation to make rental payments. The Trustee, as assignee under the lease assignment, will have certain remedies under the ground lease and the lease, including the right to take possession of the project for the remainder of the term of the ground lease (through October 15, 2037).

The COPs are not a general obligation of the Career Center and are payable only from appropriations by the Career Center for annual lease payments. The following is a summary of the future debt service requirements to maturity for the COPs:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 245,000	\$ 200,428	\$ 445,428
2021	250,000	193,003	443,003
2022	260,000	185,353	445,353
2023	265,000	177,478	442,478
2024	275,000	169,378	444,378
2025 - 2029	1,500,000	716,603	2,216,603
2030 - 2034	1,755,000	458,638	2,213,638
2035 - 2038	<u>1,630,000</u>	<u>128,181</u>	<u>1,758,181</u>
Total	<u>\$ 6,180,000</u>	<u>\$ 2,229,062</u>	<u>\$ 8,409,062</u>

Certificates of Participation Series 2018: In July 2018, the Career Center issued \$13,000,000 in certificates of participation (“COPs”) to finance the acquisition, construction and overall improvement of Career Center facilities. As part of the official agreement, the Career Center’s land and buildings are being ground leased. The Career Center makes rental payments which will pay for the debt service requirements on the COPs. The COPs bear an interest rate of 3.45%. Principal on the COPs is due each October 15, beginning October 15, 2019, through and including October 15, 2033. Zions Bank, (the “Trustee”), is serving as the trustee for the COPs. Principal and interest payments in fiscal year 2019 totaled \$0 and \$332,638, respectively. These amounts are reported as debt service expenditures in the permanent improvement fund.

At June 30, 2019, \$11,118,857 of the \$13,000,000 COPs issuance was unspent.

The obligation of the Career Center under the lease and any subsequent lease renewal is subject to the annual appropriation of the rental payments. Legal title to the facilities remains with the Trustee until all payments required under the lease have been made. In the event that sufficient monies are not appropriated or certified, the lease will terminate at the end of the current lease term and the Career Center will have no further obligation to make rental payments. The Trustee, as assignee under the lease assignment, will have certain remedies under the ground lease and the lease, including the right to take possession of the project for the remainder of the term of the ground lease (through October 15, 2033).

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The COPs are not a general obligation of the Career Center and are payable only from appropriations by the Career Center for annual lease payments. The following is a summary of the future debt service requirements to maturity for the COPs:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 675,000	\$ 436,856	\$ 1,111,856
2021	700,000	413,138	1,113,138
2022	725,000	388,556	1,113,556
2023	750,000	363,113	1,113,113
2024	775,000	336,806	1,111,806
2025 - 2029	4,295,000	1,256,921	5,551,921
2030 - 2034	<u>5,080,000</u>	<u>449,880</u>	<u>5,529,880</u>
Total	<u>\$ 13,000,000</u>	<u>\$ 3,645,270</u>	<u>\$ 16,645,270</u>

Compensated Absences: Compensated absences will be paid from the funds from which the employees' salaries are paid, which consists primarily of the general fund and adult education fund.

Net Pension Liability: The Career Center pays obligations related to employee compensation from the fund benefitting from their service. See Note 12 for more information on the Career Center's net pension liability.

Net OPEB Liability: The Career Center pays obligations related to employee compensation from the fund benefitting from their service. See Note 13 for more information on the Career Center's net OPEB liability.

Legal Debt Margin: The Ohio Revised Code provides that voted net general obligation debt of the Career Center shall never exceed 9% of the total assessed valuation of the Career Center. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the Career Center. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the Career Center. The assessed valuation used in determining the Career Center's legal debt margin has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the Career Center's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2019, are a voted debt margin of \$310,400,333 and an unvoted debt margin of \$3,448,893.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Sick Leave

Each full time professional staff member is entitled to 15 days sick leave with pay for each year under contract and accrues sick leave at the rate of 1¼ days for each calendar month under contract. Sick leave is cumulative to 330 days for certified employees and 272 days for non-certified employees.

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NOTE 10 - OTHER EMPLOYEE BENEFITS – (Continued)

B. Service Retirement Benefits

1. Certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is 25% of the certified employee's accrued, but unused sick leave days at the time of retirement based on their daily rate times the value of the employee's eligible (82.50 days maximum) accrued, but unused sick leave days. Employees must have at least ten years of total retirement service and at least five years of service with the Career Center to become eligible to be entitled to the maximum of 82.50 days.
2. Certified employees who retire during the current contract will be paid \$225 for every year of service with the EHOVE Board of Education.
3. Non-certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is 25% of the non-certified employee's accrued, but unused sick leave days at the time of retirement based on their daily rate times the value of the employee's eligible (68 days maximum) accrued, but unused sick leave days. Non-certified employees must have ten or more years of public service at the time of retirement.
4. Non-certified employees who retire during the current contract will be paid \$225 for every year of service with the EHOVE Board of Education.
5. Administration employees, certified, and non-certified non-union staff are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is that as set forth in the EHOVE Education Association contract for administrators and as set forth in the Ohio Association of Public School Employees (OAPSE) contract for non-certified employees.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The Career Center is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Career Center maintains comprehensive insurance coverage with private carriers for general liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Losses have not exceeded insurance coverage for the last three years and there has been no significant reduction in insurance coverage from last year.

The Career Center is a member of the Huron-Erie School Employees Insurance Association (the "Association"), a public entity risk pool currently operating as a common risk management and health insurance program for 13 member schools. The Career Center pays a monthly premium to this pool for health, prescription drug and dental. The pool agreement provides that the Association will be self-sustaining through member premiums, and the pool purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$250,000 for any employee in a year or to cover aggregate claims in excess of 120% of the prior year's total claims. Individual coverage per person cannot exceed \$1,000,000 in claims during his or her lifetime.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - RISK MANAGEMENT – (Continued)

In the event of a withdrawal, the Career Center shall assume and be responsible for payment of all claims of its eligible employees, families and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

B. Workers' Compensation Rating Plan

The Career Center participates in a workers' compensation retrospective group rating plan (the "Plan"), an insurance purchasing pool (See Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the Career Center by virtue of its grouping and representation with other participants in the Plan. Participants in the Plan are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its Plan tier rather than its individual rate. Participation in the Plan is limited to schools that can meet the Plan's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the Plan.

NOTE 12 - 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 Career 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 Career Center's obligation for this liability to annually required payments. The Career Center cannot control benefit terms or the manner in which pensions are financed; however, the Career 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or 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; or 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% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Career Center is required to contribute 14% 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% for plan members and 14% 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The Career Center’s contractually required contribution to SERS was \$403,992 for fiscal year 2019. Of this amount, \$22,607 is reported as pension and postemployment benefits payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% 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 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The Career Center was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The Career Center's contractually required contribution to STRS was \$977,031 for fiscal year 2019. Of this amount, \$194,834 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Career Center's proportion of the net pension liability was based on the Career Center's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.08763580%	0.06597509%	
Proportion of the net pension liability current measurement date	<u>0.12694260%</u>	<u>0.06740358%</u>	
Change in proportionate share	<u>0.03930680%</u>	<u>0.00142849%</u>	
Proportionate share of the net pension liability	\$ 7,270,238	\$ 14,820,534	\$ 22,090,772
Pension expense	\$ 1,305,415	\$ 1,353,772	\$ 2,659,187

At June 30, 2019, the Career Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 398,727	\$ 342,105	\$ 740,832
Changes of assumptions	164,176	2,626,477	2,790,653
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	1,192,873	180,409	1,373,282
Contributions subsequent to the measurement date	<u>403,992</u>	<u>977,031</u>	<u>1,381,023</u>
Total deferred outflows of resources	<u>\$ 2,159,768</u>	<u>\$ 4,126,022</u>	<u>\$ 6,285,790</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 96,788	\$ 96,788
Net difference between projected and actual earnings on pension plan investments	201,440	898,703	1,100,143
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>30,451</u>	<u>138,912</u>	<u>169,363</u>
Total deferred inflows of resources	<u>\$ 231,891</u>	<u>\$ 1,134,403</u>	<u>\$ 1,366,294</u>

\$1,381,023 reported as deferred outflows of resources related to pension resulting from Career Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2020	\$ 1,288,429	\$ 1,201,183	\$ 2,489,612
2021	535,827	862,870	1,398,697
2022	(238,588)	105,008	(133,580)
2023	<u>(61,783)</u>	<u>(154,473)</u>	<u>(216,256)</u>
Total	<u>\$ 1,523,885</u>	<u>\$ 2,014,588</u>	<u>\$ 3,538,473</u>

Actuarial Assumptions - SERS

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

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

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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, 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% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). 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 Career Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Career Center's proportionate share of the net pension liability	\$ 10,240,678	\$ 7,270,238	\$ 4,779,722

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% 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.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

<u>Asset Class</u>	<u>Target Allocation**</u>	<u>Long Term Expected Real Rate of Return *</u>
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	<u>100.00 %</u>	

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

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the Career Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Career Center's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the Career 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%) or one-percentage-point higher (8.45%) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
Career Center's proportionate share of the net pension liability	\$ 21,643,439	\$ 14,820,534	\$ 9,045,871

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset reported on the statement of net position represents a liability/asset 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/asset represents the Career 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/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the Career Center's obligation for this liability to annually required payments. The Career Center cannot control benefit terms or the manner in which OPEB are financed; however, the Career 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/asset. Resulting adjustments to the net OPEB liability/asset 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* or *net OPEB asset* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The Career 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% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% 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 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the Career Center's surcharge obligation was \$22,911.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Career Center's contractually required contribution to SERS was \$37,874 for fiscal year 2019. Of this amount, \$23,748 is reported as pension and postemployment benefits payable.

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

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The Career Center's proportion of the net OPEB liability/asset was based on the Career 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.08504350%	0.06597509%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.11940860%</u>	<u>0.06740358%</u>	
Change in proportionate share	<u>0.03436510%</u>	<u>0.00142849%</u>	
Proportionate share of the net OPEB liability	\$ 3,312,717	\$ -	\$ 3,312,717
Proportionate share of the net OPEB asset	\$ -	\$ (1,083,107)	\$ (1,083,107)
OPEB expense	\$ 275,928	\$ (2,343,338)	\$ (2,067,410)

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

At June 30, 2019, the Career Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 54,076	\$ 126,508	\$ 180,584
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	784,899	50,905	835,804
Contributions subsequent to the measurement date	<u>37,874</u>	<u>-</u>	<u>37,874</u>
Total deferred outflows of resources	<u>\$ 876,849</u>	<u>\$ 177,413</u>	<u>\$ 1,054,262</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 63,105	\$ 63,105
Net difference between projected and actual earnings on pension plan investments	4,969	123,737	128,706
Changes of assumptions	297,622	1,475,819	1,773,441
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>57,528</u>	<u>12,955</u>	<u>70,483</u>
Total deferred inflows of resources	<u>\$ 360,119</u>	<u>\$ 1,675,616</u>	<u>\$ 2,035,735</u>

\$37,874 reported as deferred outflows of resources related to OPEB resulting from Career Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$ (8,731)	\$ (269,136)	\$ (277,867)
2021	25,558	(269,136)	(243,578)
2022	134,139	(269,136)	(134,997)
2023	136,253	(241,037)	(104,784)
2024	135,910	(231,179)	(95,269)
Thereafter	<u>55,727</u>	<u>(218,579)</u>	<u>(162,852)</u>
Total	<u>\$ 478,856</u>	<u>\$ (1,498,203)</u>	<u>\$ (1,019,347)</u>

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

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, 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 Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. 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% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% 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, 2026. 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, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the Career 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 (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
Career Center's proportionate share of the net OPEB liability	\$ 4,019,722	\$ 3,312,717	\$ 2,752,902

	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
Career Canter's proportionate share of the net OPEB liability	\$ 2,672,755	\$ 3,312,717	\$ 4,160,142

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018	July 1, 2017
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%, effective July 1, 2017
Discounted rate of return	7.45%	N/A
Blended discount rate of return	N/A	4.13%
Health care cost trends		6 to 11% initial, 4.50% ultimate
	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

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

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

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% 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 projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the Career Center's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset 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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Career Center's proportionate share of the net OPEB asset	\$ 928,324	\$ 1,083,107	\$ 1,213,194

	1% Decrease	Current Trend Rate	1% Increase
Career Center's proportionate share of the net OPEB asset	\$ 1,205,851	\$ 1,083,107	\$ 958,451

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and the 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General</u>	<u>Adult Education</u>
Budget basis	\$ (120,041)	\$ (87,286)
Net adjustment for revenue accruals	484,755	(12,851)
Net adjustment for expenditure accruals	(93,352)	(6,057)
Net adjustment for other sources/uses	(58,117)	(38)
Funds budgeted elsewhere	12,597	-
Adjustment for encumbrances	308,352	25,393
GAAP basis	\$ 534,194	\$ (80,839)

Certain funds that are legally budgeted in separate Career Center fund classifications are considered part of the general fund on a GAAP basis. This includes the special trust fund, uniform school supplies fund, special rotary fund, and termination benefits fund.

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 16 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2018	\$ -
Current year set-aside requirement	150,334
Current year qualifying expenditures	(550,000)
Current year offsets	<u>(1,960,912)</u>
Total	<u>\$ (2,360,578)</u>
Balance carried forward to fiscal year 2020	<u>\$ -</u>
Set-aside balance June 30, 2019	<u>\$ -</u>

NOTE 17 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 245,280
Adult education	17,595
Permanent improvement	120,320
Building	3,397,285
Nonmajor governmental funds	<u>18,991</u>
Total	<u>\$ 3,799,471</u>

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 18 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments entered into property tax abatement agreements with property and business owners under Enterprise Zone Agreements (“EZAs”) and the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the Career Center. The EZAs and CRA program are directive incentive tax exemption programs benefiting property and business owners who renovate or construct new buildings or bring new jobs into the area. Under these programs, the other governments designated areas to encourage revitalization of the existing housing stock, the development of new structures, and economic growth. Within the taxing districts of the Career Center, certain municipal governments located in the counties of Huron, Erie, Sandusky, and Lorain have entered into such agreements. Under these agreements, the Career Center’s property taxes were reduced by \$12,396 in Huron County, 39,700 in Erie County, \$13,318 in Sandusky County, and \$7,956 in Lorain County. The Career Center is not receiving any amounts from the other governments in association with the forgone property tax revenue.

NOTE 19 - CONTRACTUAL COMMITMENTS

The Career Center had the following contractual commitment at June 30, 2019:

Vendor	Project	Contract Amount	Amount Expended	Balance at June 30, 2019
Adena Corporation	Facility Renovation Project	\$ 12,482,642	\$ 1,333,969	\$ 11,148,673

NOTE 20 - SUBSEQUENT EVENT

In October 2019, the Career Center issued \$12,445,000 in Refunding Certificates of Participation, Series 2019. The Refunding Certificates of Participation, Series 2019 were issued with an interest rate of 2.40% and for the purpose of refunding the Career Center’s 2018 Certificates of Participation, Series 2018, which carried an interest rate of 3.45%. The Refunding Certificates of Participation, Series 2019, were directly placed with the Capital One Bank.

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REQUIRED SUPPLEMENTARY INFORMATION

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Career Center's proportion of the net pension liability	0.12694260%	0.08763580%	0.08823890%	0.08971200%
Career Center's proportionate share of the net pension liability	\$ 7,270,238	\$ 5,236,045	\$ 6,458,273	\$ 5,119,054
Career Center's covered payroll	\$ 2,872,081	\$ 2,986,893	\$ 2,736,543	\$ 2,700,797
Career Center's proportionate share of the net pension liability as a percentage of its covered payroll	253.13%	175.30%	236.00%	189.54%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.08992800%	0.08992800%
\$ 4,551,205	\$ 5,347,730
\$ 2,613,139	\$ 2,371,611
174.17%	225.49%
71.70%	65.52%

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Career Center's proportion of the net pension liability	0.06740358%	0.06597509%	0.06631422%	0.06588238%
Career Center's proportionate share of the net pension liability	\$ 14,820,534	\$ 15,672,524	\$ 22,197,368	\$ 18,207,963
Career Center's covered payroll	\$ 7,317,514	\$ 7,297,979	\$ 6,624,007	\$ 6,873,721
Career Center's proportionate share of the net pension liability as a percentage of its covered payroll	202.54%	214.75%	335.10%	264.89%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.06724957%	0.06724957%
\$ 16,357,423	\$ 19,484,855
\$ 6,871,054	\$ 6,783,500
238.06%	287.24%
74.70%	69.30%

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 403,992	\$ 387,731	\$ 418,165	\$ 383,116
Contributions in relation to the contractually required contribution	<u>(403,992)</u>	<u>(387,731)</u>	<u>(418,165)</u>	<u>(383,116)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Career Center's covered payroll	\$ 2,992,533	\$ 2,872,081	\$ 2,986,893	\$ 2,736,543
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 355,965	\$ 362,181	\$ 328,231	\$ 312,995	\$ 283,611	\$ 387,070
<u>(355,965)</u>	<u>(362,181)</u>	<u>(328,231)</u>	<u>(312,995)</u>	<u>(283,611)</u>	<u>(387,070)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,700,797	\$ 2,613,139	\$ 2,371,611	\$ 2,327,100	\$ 2,256,253	\$ 2,858,715
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 977,031	\$ 1,024,452	\$ 1,021,717	\$ 927,361
Contributions in relation to the contractually required contribution	<u>(977,031)</u>	<u>(1,024,452)</u>	<u>(1,021,717)</u>	<u>(927,361)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Career Center's covered payroll	\$ 6,978,793	\$ 7,317,514	\$ 7,297,979	\$ 6,624,007
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 962,321	\$ 893,237	\$ 881,855	\$ 915,618	\$ 868,376	\$ 901,437
<u>(962,321)</u>	<u>(893,237)</u>	<u>(881,855)</u>	<u>(915,618)</u>	<u>(868,376)</u>	<u>(901,437)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,873,721	\$ 6,871,054	\$ 6,783,500	\$ 7,043,215	\$ 6,679,815	\$ 6,934,131
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Career Center's proportion of the net OPEB liability	0.11940860%	0.08504350%	0.08841089%
Career Center's proportionate share of the net OPEB liability	\$ 3,312,717	\$ 2,282,344	\$ 2,520,038
Career Center's covered payroll	\$ 2,872,081	\$ 2,986,893	\$ 2,736,543
Career Center's proportionate share of the net OPEB liability as a percentage of its covered payroll	115.34%	76.41%	92.09%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Career Center's proportion of the net OPEB liability/asset	0.06740358%	0.06597509%	0.06631422%
Career Center's proportionate share of the net OPEB liability/(asset)	\$ (1,083,107)	\$ 2,574,105	\$ 3,546,502
Career Center's covered payroll	\$ 7,317,514	\$ 7,297,979	\$ 6,624,007
Career Center's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.80%	35.27%	53.54%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.33%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 37,874	\$ 37,235	\$ 28,373	\$ 40,405
Contributions in relation to the contractually required contribution	<u>(37,874)</u>	<u>(37,235)</u>	<u>(28,373)</u>	<u>(40,405)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Career Center's covered payroll	\$ 2,992,533	\$ 2,872,081	\$ 2,986,893	\$ 2,736,543
Contributions as a percentage of covered payroll	1.27%	1.30%	0.95%	1.48%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 55,240	\$ 39,352	\$ 39,595	\$ 48,599	\$ 68,064	\$ 48,950
<u>(55,240)</u>	<u>(39,352)</u>	<u>(39,595)</u>	<u>(48,599)</u>	<u>(68,064)</u>	<u>(48,950)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,700,797	\$ 2,613,139	\$ 2,371,611	\$ 2,327,100	\$ 2,256,253	\$ 2,858,715
2.05%	1.51%	1.67%	2.09%	3.02%	1.71%

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Career Center's covered payroll	\$ 6,978,793	\$ 7,317,514	\$ 7,297,979	\$ 6,624,007
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ 67,650	\$ 67,835	\$ 70,432	\$ 66,798	\$ 69,341
-	(67,650)	(67,835)	(70,432)	(66,798)	(69,341)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,873,721	\$ 6,871,054	\$ 6,783,500	\$ 7,043,215	\$ 6,679,815	\$ 6,934,131
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

SUPPLEMENTARY INFORMATION

**EHOVE CAREER CENTER
 ERIE COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(C) PASS-THROUGH ENTITY IDENTIFYING NUMBER / ADDITIONAL AWARD IDENTIFICATION	(A) TOTAL FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
(D) School Breakfast Program	10.553	2019	\$ 26,236
(D) National School Lunch Program	10.555	2019	140,801
(E) National School Lunch Program - Food Donation	10.555	2019	31,513
Total National School Lunch Program:			<u>172,314</u>
Total U.S. Department of Agriculture and Child Nutrition Cluster:			<u>198,550</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through the Ohio Department of Education</i>			
Adult Education - Basic Grants to States - ABLE Instructional	84.002	2018	6,794
Adult Education - Basic Grants to States - Aspire Instructional	84.002	2019	36,905
Total Adult Education Basic Grants to States:			<u>43,699</u>
Career and Technical Education Basic Grants to States	84.048	2018	35,425
Career and Technical Education Basic Grants to States	84.048	2019	212,851
Career and Technical Education Basic Grants to States - Adult	84.048	2018	24,720
Career and Technical Education Basic Grants to States - Adult	84.048	2019	107,484
Total Career and Technical Education Basic Grants to States:			<u>380,480</u>
<i>Direct</i>			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	84.063	N/A	538,274
Federal Direct Student Loans (Direct Loan)	84.268	N/A	887,111
Total Student Financial Assistance Cluster:			<u>1,425,385</u>
Total U.S. Department of Education:			<u>1,849,564</u>
Total Federal Expenditures:			<u>\$ 2,048,114</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) This schedule includes the federal award activity of the EHOVE Career Center under programs of the federal government for the fiscal year ended June 30, 2019 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the EHOVE Career Center, it is not intended to and does not present the financial position or changes in net position of the EHOVE Career Center.
- (B) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The Career Center has not elected to use the 10% de minimis indirect cost rate.
- (C) OAKS did not assign pass-through numbers for fiscal year 2019.
- (D) Commingled with state and local revenue from sales of breakfasts and lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) The Food Donation program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

EHOVE Career Center
Erie County
316 West Mason Road
Milan, Ohio 44846

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the EHOVE Career Center, Erie County, Ohio, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the EHOVE Career Center's basic financial statements and have issued our report thereon dated December 17, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Julian & Grube, Inc.
December 17, 2019



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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

EHOVE Career Center
Erie County
316 West Mason Road
Milan, Ohio 44846

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the EHOVE Career Center's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the EHOVE Career Center's major federal program for the fiscal year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the EHOVE Career Center's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the EHOVE Career Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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



Julian & Grube, Inc.
December 17, 2019

**EHOVE CAREER CENTER
ERIE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Student Financial Assistance Cluster
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

OHIO AUDITOR OF STATE
KEITH FABER



EHOVE CAREER CENTER

ERIE 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 18, 2020**