



OHIO AUDITOR OF STATE  
**KEITH FABER**





**MID-EAST CAREER AND TECHNOLOGY CENTERS  
MUSKINGUM COUNTY  
JUNE 30, 2019**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Mid-East Career and Technology Centers  
Muskingum County  
400 Richards Road  
Zanesville, Ohio 43701

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 Mid-East Career and Technology Centers, Muskingum County, Ohio (the Center), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Center's internal control. Accordingly, we express no 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 Mid-East Career and Technology Centers, Muskingum 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 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 Post-employment Benefit Liabilities and Pension and Other Post-employment 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 and Other Information*

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

The Schedule of Expenditures of Federal Awards (the Schedule) 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 12, 2019, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State  
Columbus, Ohio

December 12, 2019

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**Mid-East Career and Technology Centers, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
**Unaudited**

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Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Mid-East Career and Technology Center's (Center) financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the Center's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2019 are as follows:

- The assets and deferred outflows of resources of the Center exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2019, by \$76,349,916 (net position). Of this amount, \$11,247,175 represents unrestricted net position that may be used to meet the Center's ongoing obligations to students and creditors.
- The Center's net position increased by \$9,948,337 from the restated net position at the beginning of fiscal year 2019.
- General revenues accounted for \$21,118,661 in revenue or 70 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$9,140,891 or 30 percent of total revenues of \$30,259,552.
- The Center had \$20,311,215 in expenses related to governmental activities; only \$9,140,891 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) in the amount of \$21,118,661 were adequate to provide for these programs.

### **Using this Basic Financial Statements Report**

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 Mid-East Career and Technology Centers as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Center, presenting both an aggregate view of the Center's finances and a longer-term view of those finances.

Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Center's most significant funds with all other non-major funds presented in total in one column and also provide information in more detail than the government-wide statements.

### **Reporting the Center as a Whole**

#### *Statement of Net Position and Statement of Activities*

While these documents contain the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2018-2019 fiscal year?" The *Statement of Net Position* and the *Statement of Activities* answer this question.

**Mid-East Career and Technology Centers, Ohio**  
**Management's Discussion and Analysis**  
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These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the Center's activities are all considered to be Governmental Activities, including instruction, support services, operation of non-instructional services, extracurricular activities, and interest.

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

#### ***Fund Financial Statements***

The analysis of the Center's major funds begins on page 12. Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's major governmental funds are the General Fund, the Adult Education Special Revenue Fund, the Bond Retirement Debt Service Fund, and the Permanent Improvement and Permanent Improvement Levy Capital Projects Funds.

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

### **Reporting the Center's Fiduciary Responsibilities**

The Center is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private purpose trust fund. The Center's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These activities are excluded from the Center's other financial statements because the assets cannot be utilized by the Center to finance its operations.

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**The Center as a Whole**

Recall that the Statement of Net Position provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net position for 2019 compared to 2018.

(Table 1)  
Net Position

	Governmental Activities		
	2019	2018	Change
<b>Assets</b>			
Current and Other Assets	\$56,406,039	\$52,456,427	\$3,949,612
Noncurrent Assets:			
Net OPEB Asset	1,123,887	0	1,123,887
Capital Assets, Net	50,552,082	51,633,539	(1,081,457)
Total Assets	<u>108,082,008</u>	<u>104,089,966</u>	<u>3,992,042</u>
<b>Deferred Outflows of Resources</b>			
Pension	5,131,917	6,433,212	(1,301,295)
OPEB	249,730	257,463	(7,733)
Total Deferred Outflows of Resources	<u>5,381,647</u>	<u>6,690,675</u>	<u>(1,309,028)</u>
<b>Liabilities</b>			
Current and Other Liabilities	2,279,060	2,112,679	166,381
Long-Term Liabilities			
Due Within One Year	2,474,449	2,364,763	109,686
Due in More Than One Year:			
Net Pension Liability	19,886,833	21,297,556	(1,410,723)
Net OPEB Liability	2,149,821	4,783,696	(2,633,875)
Other Amounts Due in More Than One Year	953,993	3,415,077	(2,461,084)
Total Liabilities	<u>27,744,156</u>	<u>33,973,771</u>	<u>(6,229,615)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	5,992,924	8,631,443	(2,638,519)
Payment in Lieu of Taxes	30,501	31,643	(1,142)
Pension	1,415,103	1,205,446	209,657
OPEB	1,931,055	536,759	1,394,296
Total Deferred Inflows of Resources	<u>9,369,583</u>	<u>10,405,291</u>	<u>(1,035,708)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	48,114,852	46,863,118	1,251,734
Restricted	16,987,889	14,554,675	2,433,214
Unrestricted (Deficit)	11,247,175	4,983,786	6,263,389
Total Net Position	<u>\$76,349,916</u>	<u>\$66,401,579</u>	<u>\$9,948,337</u>

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The net pension liability (NPL) and the net OPEB liability (NOL) when combined are the largest type of liability reported by the Center at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27" and 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 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 and the net OPEB liability (asset) to equal the Center's proportionate share of each plan's collective:

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

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

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

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

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

Total assets reflect an increase in the amount of \$3,992,042 or 3.8 percent from the prior year. Current and other assets reflect an overall increase in the amount of \$3,949,612 due primarily to increases in cash and cash equivalents which was offset by a decrease in property taxes receivable. Cash and cash equivalents increased by \$5,820,987 as the Center strives to maintain a healthy working balance in as many areas as possible. In addition, property taxes receivable decreased in the amount of \$1,984,201. The voted permanent improvement levy will expire as of the end of calendar year 2020 as the accumulated balance remaining in the Permanent Improvement Levy Capital Projects Fund is sufficient to pay for remaining obligations related to the Classroom Facilities project. For fiscal year 2019, the Center reflects a net OPEB asset as explained in Note 16. Offsetting these items is a decrease in capital assets in the amount of \$1,081,457 primarily due to depreciation exceeding capital outlay in the amount of \$1,071,733.

Deferred outflows of resources decreased in the amount of \$1,309,028 due to changes of assumptions related to the Center's proportionate share of the net pension and OPEB liabilities.

Total liabilities decreased by \$6,229,615. Long-term liabilities - due in more than one year, excluding the pension and OPEB liabilities, decreased in the amount of \$2,461,084 due primarily to the Center making required debt service payments. The decrease in the net pension and OPEB liabilities represents the Center's proportionate share of the STRS and SERS unfunded benefits. As indicated previously, changes in pension/OPEB benefits, contribution rates, and return on investments affect the balance of these liabilities.

In direct correlation with the decrease in property taxes receivable, as explained earlier, deferred inflows of resources from property taxes decreased by \$2,638,519. This decrease was offset by increases in pension and OPEB components as explained in Notes 15 and 16.

By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the overall position of the Center has improved as evidenced by the increase in net position in the amount of \$9,948,337. The largest change is in unrestricted net position due primarily to the change in pension and OPEB related items as discussed elsewhere. Restricted net position increased in the amount of \$2,433,214 primarily due to the Center accumulating restricted resources pertaining to capital projects, adult education programs, and classroom facilities maintenance. Net investment in capital assets increased by \$1,251,734 as a combined result of retiring capital related debt and recognizing current year depreciation.

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Table 2 shows the changes in net position for the fiscal year ended June 30, 2019, and comparisons to fiscal year 2018.

Table 2 - Change in Net Position

	Governmental Activities		Change
	2019	2018	
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$2,471,706	\$1,920,391	\$551,315
Operating Grants, Contributions, and Interest	6,079,185	5,912,542	166,643
Capital Grants, Contributions, and Interest	<u>590,000</u>	<u>487,852</u>	<u>102,148</u>
Total Program Revenues	9,140,891	8,320,785	820,106
General Revenues:			
Property Taxes	13,656,023	13,706,488	(50,465)
Payments in Lieu of Taxes	36,368	31,384	4,984
Grants and Entitlements	6,394,806	6,186,995	207,811
Investment Earnings and Miscellaneous	<u>1,031,464</u>	<u>325,417</u>	<u>706,047</u>
Total General Revenues	<u>21,118,661</u>	<u>20,250,284</u>	<u>868,377</u>
Total Revenues	<u>30,259,552</u>	<u>28,571,069</u>	<u>1,688,483</u>
<b>Program Expenses</b>			
Instruction:			
Regular	2,136,385	816,530	1,319,855
Vocational	7,083,145	3,896,157	3,186,988
Adult/Continuing	2,560,791	1,535,447	1,025,344
Support Services:			
Pupils	1,163,241	802,199	361,042
Instructional Staff	1,142,931	890,904	252,027
Board of Education	65,975	66,429	(454)
Administration	1,480,672	698,300	782,372
Fiscal	959,938	858,827	101,111
Business	282,926	290,533	(7,607)
Operation and Maintenance of Plant	2,137,988	1,746,020	391,968
Pupil Transportation	167,371	123,819	43,552
Central	262,013	190,240	71,773
Operation of Non-Instructional Services	570,473	536,634	33,839
Extracurricular Activities	175,889	143,455	32,434
Interest	<u>121,477</u>	<u>226,408</u>	<u>(104,931)</u>
Total Expenses	<u>20,311,215</u>	<u>12,821,902</u>	<u>7,489,313</u>
Change in Net Position	9,948,337	15,749,167	(5,800,830)
Net Position Beginning of Year - Restated (See Note 3)	<u>66,401,579</u>	<u>50,652,412</u>	<u>15,749,167</u>
Net Position End of Year	<u>\$76,349,916</u>	<u>\$66,401,579</u>	<u>\$9,948,337</u>

**Mid-East Career and Technology Centers, Ohio**  
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As indicated in Table 2, the largest revenue fluctuation is evident in investment income, an increase of \$706,047. Investment income is an unusual revenue source to have the largest change, but an increase in cash and cash equivalents along with increases in market value of investments and interest rates explain this growth. Charges for services program revenue increased by twenty-nine percent. The adult education program has added new classes and increased average daily membership which has led to an increase in tuition and fees.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Property taxes made up 45 percent of revenues for governmental activities in fiscal year 2019. The remaining 55 percent of revenues are received through outside sources, such as restricted and unrestricted grants in aid and tuition received from the adult program.

Instructional programs comprise 58 percent of total governmental program expenses. Of the instructional expenses, approximately 60 percent is for vocational instruction, 22 percent is for adult/continuing instruction, and 18 percent is for regular instruction. Expenses have increased in the majority of programs with the largest changes in expenses being reflected in instructional programs. These increases are the direct result of pension/OPEB expense as explained earlier. Without the pension/OPEB expense, there is a decrease in program expenses as a result of practical administrative financial decisions which are leading to the increase in cash and cash equivalents.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

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Table 3 - Governmental Activities

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
<b>Instructional Services:</b>				
Regular	\$2,136,385	\$2,136,385	\$816,530	\$905,032
Vocational	7,083,145	2,964,939	3,896,157	(4,743)
Adult/Continuing	2,560,791	(688,649)	1,535,447	(1,302,255)
<b>Support Services:</b>				
Pupils	1,163,241	1,008,359	802,199	621,747
Instructional Staff	1,142,931	429,855	890,904	235,587
Board of Education	65,975	65,975	66,429	66,429
Administration	1,480,672	1,480,672	698,300	698,300
Fiscal	959,938	705,370	858,827	625,729
Business	282,926	282,926	290,533	290,533
Operation and Maintenance of Plant	2,137,988	2,121,189	1,746,020	1,743,593
Pupil Transportation	167,371	167,371	123,819	123,819
Central	262,013	262,013	190,240	190,240
Operation of Non-Instructional Services	570,473	30,329	536,634	25,903
Extracurricular Activities	175,889	82,113	143,455	54,795
Interest	121,477	121,477	226,408	226,408
<b>Total Expenses</b>	<b><u>\$20,311,215</u></b>	<b><u>\$11,170,324</u></b>	<b><u>\$12,821,902</u></b>	<b><u>\$4,501,117</u></b>

The dependence upon tax revenues and State subsidies is apparent. Approximately 55 percent of total expenses are supported through taxes and other general revenues. Over the past several years the Center has remained in a stable financial position. The Center receives tax revenues from Muskingum, Guernsey, Licking, Coshocton, Perry, Washington, Monroe, Fairfield, and Noble Counties. The adult/continuing instruction reflects net revenue in the amount of \$688,649. Tuition, Pell Grant and Stafford Loan subsidies, and grant funding are adequate to cover the cost of this program.

***The Center's Major Funds***

The Center's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues in the amount of \$30,083,412 and expenditures in the amount of \$23,832,676.

The General Fund's net change in fund balance after other financing sources and uses for the year was the largest of all funds with an increase in the amount of \$2,704,554. The positive change in the General Fund, as has been the case for the past several years, reflects the Center's continuing commitment to maintaining a healthy cumulative balance in its primary operating fund. Expenditures decreased by one percent from the prior year, along with increases in interest, property tax, and intergovernmental revenues, added to a substantial ending fund balance that is approximately one and one-half times the amount of current year expenditures. Sound fiscal and administrative judgment has helped the Center meet their goal not to deficit spend.

**Mid-East Career and Technology Centers, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
**Unaudited**

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The Adult Education Special Revenue Fund adds to its carryover fund balance with a net change of \$454,573. This program continues to cover its costs associated with adult instruction with adequate revenue. However, this fund greatly relies on Pell grant and Stafford loan subsidies for its operating costs and without this funding would not be able to sustain current operations on tuition revenue alone.

The Bond Retirement Debt Service Fund had no change in fund balance as this fund only accumulates enough revenue to meet the current year debt service requirements.

The Permanent Improvement Capital Projects Fund had an increase in fund balance in the amount of \$668,113 primarily due to a transfer from the General Fund in the amount of \$500,000. The Center has committed to accumulating a balance in this fund to help in future years with capital expenses and projects not covered by the recent participation of the Ohio School Facilities Program.

The Permanent Improvement Levy Capital Projects Fund had an increase in fund balance in the amount of \$1,280,834. Voters have approved a permanent improvement levy sufficient enough to account for the capital needs of the Center. This levy will expire in the subsequent fiscal year and this compounded fund balance will become important to the Center as capital needs arise in maintaining the recently constructed facilities at their current level.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2019, the Center did amend both its General Fund revenue and expenditure budgets from the original levels, however individual line item changes to the final budgeted amounts were not significant. When changes to the estimated revenue amounts were deemed necessary, the exact amount of change to budgeted expenditures were made. This allows the Center to maintain the same change in fund balance as originally budgeted for.

For the General Fund, actual revenues exceeded final budgeted amounts by \$911,665, largely the result of conservative estimates associated with property tax and interest revenues. In addition, final budgeted expenditures exceeded actual results in the amount of \$935,355 due to conservative spending. A general reason for these variances is due to the Center using a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

The General Fund unencumbered ending cash balance totaled \$20,249,149, which was \$1,960,059 above the final budgeted amount of \$18,289,090.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2019, the Center had \$50,552,082 invested in land, buildings and improvements, vehicles, and machinery, equipment, furniture and fixtures. Table 4 shows fiscal year 2019 balances compared to 2018.

**Mid-East Career and Technology Centers, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
**Unaudited**

Table 4  
Capital Assets at June 30

	Governmental Activities	
	2019	2018
Land	\$585,623	\$560,936
Buildings and Improvements	47,779,689	48,951,837
Vehicles	554,258	479,351
Machinery, Equipment, Furniture and Fixtures	1,632,512	1,641,415
Totals	\$50,552,082	\$51,633,539

See Note 11 for more detailed information of the Center's capital assets.

***Long-Term Debt***

At June 30, 2019, the Center had \$17,230 outstanding for capital leases and \$2,445,204 in certificates of participation outstanding, including the associated premium.

In addition to the above, the Center's long-term obligations include compensated absences and net pension/OPEB liability.

See Notes 17 and 18 for more detailed information about the Center's debt.

**Economic Factors**

During fiscal year 2019, on a modified accrual basis, General Fund revenues exceeded General Fund expenditures by \$3,704,554, but there were other financing uses that reduced this amount to \$2,704,554. However, as the preceding information demonstrates, the Center depends on its property taxpayers. The Center has continued to maintain spending in line with revenues. Careful monitoring of the Center finances must continue if the Center hopes to remain on firm financial footing. The Board of Education and Administration of the Center must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the Center as well as careful planning to ensure that significant outlays may be made in the future to address our facility needs.

**Contacting the Center's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Richard L. White, Treasurer/CFO at Mid-East Career and Technology Centers, 400 Richards RD., Zanesville, Ohio 43701, or e-mail at [rwhite@mideastctc.org](mailto:rwhite@mideastctc.org).

Mid-East Career and Technology Centers, Ohio  
Statement of Net Position  
June 30, 2019

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$41,366,708
Cash and Cash Equivalents in Segregated Accounts	1,006,787
Accounts Receivable	490,796
Inventory Held for Resale	6,989
Materials and Supplies Inventory	63,209
Prepaid Items	183,800
Accrued Interest Receivable	106,548
Property Taxes Receivable	12,106,155
Payment in Lieu of Taxes Receivable	30,501
Intergovernmental Receivable	1,044,546
Net OPEB Asset	1,123,887
Nondepreciable Capital Assets	585,623
Depreciable Capital Assets, Net	49,966,459
Total Assets	108,082,008
 <b>Deferred Outflows of Resources</b>	
Pension	5,131,917
OPEB	249,730
Total Deferred Outflows of Resources	5,381,647
 <b>Liabilities</b>	
Matured Compensated Absences Payable	30,728
Accounts Payable	65,161
Contracts Payable	166,305
Retainage Payable	13,502
Accrued Wages and Benefits Payable	1,460,942
Intergovernmental Payable	352,915
Accrued Interest Payable	9,747
Vacation Benefits Payable	179,760
Long-Term Liabilities:	
Due Within One Year	2,474,449
Due In More Than One Year:	
Net Pension Liability	19,886,833
Net OPEB Liability	2,149,821
Other Amounts Due In More Than One Year	953,993
Total Liabilities	27,744,156
 <b>Deferred Inflows of Resources</b>	
Property Taxes	5,992,924
Payment in Lieu of Taxes	30,501
Pension	1,415,103
OPEB	1,931,055
Total Deferred Inflows of Resources	9,369,583
 <b>Net Position</b>	
Net Investment in Capital Assets	48,114,852
Restricted for:	
Capital Projects	8,550,491
Set Asides	45,566
Adult Education	2,909,204
District Managed Activities	45,683
Classroom Facilities Maintenance	5,348,629
State Grant Programs	62,975
Unclaimed Monies	9,057
Federal Grant Programs	16,284
Unrestricted	11,247,175
Total Net Position	\$76,349,916

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$2,136,385	\$0	\$0	\$0	(\$2,136,385)
Vocational	7,083,145	374,545	3,317,286	426,375	(2,964,939)
Adult/Continuing	2,560,791	1,449,062	1,800,378	0	688,649
Support Services:					
Pupils	1,163,241	0	154,882	0	(1,008,359)
Instructional Staff	1,142,931	244,675	468,401	0	(429,855)
Board of Education	65,975	0	0	0	(65,975)
Administration	1,480,672	0	0	0	(1,480,672)
Fiscal	959,938	47,859	58,846	147,863	(705,370)
Business	282,926	0	0	0	(282,926)
Operation and Maintenance of Plant	2,137,988	1,037	0	15,762	(2,121,189)
Pupil Transportation	167,371	0	0	0	(167,371)
Central	262,013	0	0	0	(262,013)
Operation of Non-Instructional Services:					
Food Service Operations	568,907	261,125	276,655	0	(31,127)
Other Non-Instructional Services	1,566	0	2,364	0	798
Extracurricular Activities	175,889	93,403	373	0	(82,113)
Interest	121,477	0	0	0	(121,477)
Total Governmental Activities	<u>\$20,311,215</u>	<u>\$2,471,706</u>	<u>\$6,079,185</u>	<u>\$590,000</u>	<u>(11,170,324)</u>
<b>General Revenues</b>					
Property Taxes Levied for General Purposes					8,738,487
Property Taxes Levied for Building Maintenance					1,333,772
Property Taxes Levied for Debt Service					2,483,625
Property Taxes Levied for Capital Outlay					1,100,139
Payments in Lieu of Taxes					36,368
Grants and Entitlements not Restricted to Specific Programs					6,394,806
Investment Earnings					962,689
Miscellaneous					68,775
Total General Revenues					<u>21,118,661</u>
Change in Net Position					9,948,337
Net Position Beginning of Year - Restated (See Note 3)					<u>66,401,579</u>
Net Position End of Year					<u><u>\$76,349,916</u></u>

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2019

	General	Adult Education	Permanent Improvement	Permanent Improvement Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$20,924,401	\$2,608,028	\$7,104,099	\$4,469,762	\$6,192,293	\$41,298,583
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	1,006,787	1,006,787
Inventory Held for Resale	0	0	0	0	6,989	6,989
Materials and Supplies Inventory	59,628	0	0	0	3,581	63,209
Accounts Receivable	19,027	471,769	0	0	0	490,796
Intergovernmental Receivable	40,424	6,334	0	0	997,788	1,044,546
Accrued Interest Receivable	69,629	6,670	18,220	11,507	522	106,548
Interfund Receivable	101,450	0	0	0	0	101,450
Prepaid Items	132,651	33,259	0	0	17,890	183,800
Restricted Asset - Equity in Pooled Cash and Cash Equivalents	54,623	0	0	0	13,502	68,125
Payment In Lieu of Taxes Receivable	20,527	0	0	9,974	0	30,501
Property Taxes Receivable	9,587,596	0	0	2,518,559	0	12,106,155
<b>Total Assets</b>	<b>\$31,009,956</b>	<b>\$3,126,060</b>	<b>\$7,122,319</b>	<b>\$7,009,802</b>	<b>\$8,239,352</b>	<b>\$56,507,489</b>
<b>Liabilities</b>						
Accounts Payable	\$51,926	\$6,441	\$0	\$0	\$6,794	\$65,161
Accrued Wages and Benefits Payable	1,263,038	103,206	0	0	94,698	1,460,942
Intergovernmental Payable	315,042	15,673	0	0	22,200	352,915
Matured Compensated Absences Payable	30,728	0	0	0	0	30,728
Interfund Payable	0	0	0	0	101,450	101,450
Contracts Payable	0	0	3,000	4,028	159,277	166,305
Retainage Payable	0	0	0	0	13,502	13,502
<b>Total Liabilities</b>	<b>1,660,734</b>	<b>125,320</b>	<b>3,000</b>	<b>4,028</b>	<b>397,921</b>	<b>2,191,003</b>
<b>Deferred Inflows of Resources</b>						
Property Taxes	5,714,309	0	0	278,615	0	5,992,924
Payment in Lieu of Taxes	30,501	0	0	0	0	30,501
Unavailable Revenue	1,068,954	459,328	9,670	596,384	845,426	2,979,762
<b>Total Deferred Inflows of Resources</b>	<b>6,813,764</b>	<b>459,328</b>	<b>9,670</b>	<b>874,999</b>	<b>845,426</b>	<b>9,003,187</b>
<b>Fund Balances</b>						
Nonspendable:						
Inventories	59,628	0	0	0	3,581	63,209
Prepaid Items	132,651	33,259	0	0	17,890	183,800
Unclaimed Monies	9,057	0	0	0	0	9,057
Restricted for:						
Capital Projects	0	0	0	6,130,775	1,006,787	7,137,562
Set Asides	45,566	0	0	0	0	45,566
Adult Education	0	2,508,153	0	0	0	2,508,153
District Managed Activities	0	0	0	0	41,483	41,483
Classroom Facilities Maintenance	0	0	0	0	5,346,443	5,346,443
State Grant Programs	0	0	0	0	58,578	58,578
Committed to:						
Unpaid Obligations	132,297	0	0	0	0	132,297
Capital Improvements	0	0	7,109,649	0	500,000	7,609,649
Budget Stabilization	128,102	0	0	0	0	128,102
Severance Payments	500,667	0	0	0	0	500,667
Scholarships	0	0	0	0	70,591	70,591
Assigned to:						
Purchases on Order	78,746	0	0	0	0	78,746
Other Purposes	30,596	0	0	0	0	30,596
Unassigned (Deficit)	21,418,148	0	0	0	(49,348)	21,368,800
<b>Total Fund Balances</b>	<b>22,535,458</b>	<b>2,541,412</b>	<b>7,109,649</b>	<b>6,130,775</b>	<b>6,996,005</b>	<b>45,313,299</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$31,009,956</b>	<b>\$3,126,060</b>	<b>\$7,122,319</b>	<b>\$7,009,802</b>	<b>\$8,239,352</b>	<b>\$56,507,489</b>

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2019

<b>Total Governmental Fund Balances</b>		<b>\$45,313,299</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		50,552,082
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Property Taxes Receivable	1,578,899	
Accrued Interest Receivable	56,548	
Accounts Receivable	499,166	
Grants Receivable	<u>845,149</u>	2,979,762
Vacation benefits payable include amounts not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(179,760)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(9,747)
The net OPEB asset and net pension/OPEB liability are not due and payable in the current period and therefore the asset, liability, and related deferred inflows/outflows are not reported in governmental funds:		
Net OPEB Asset	1,123,887	
Deferred Outflows - Pension	5,131,917	
Deferred Inflows - Pension	(1,415,103)	
Net Pension Liability	(19,886,833)	
Net OPEB Liability	(2,149,821)	
Deferred Outflows - OPEB	249,730	
Deferred Inflows - OPEB	<u>(1,931,055)</u>	(18,877,278)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Capital Leases Payable	(17,230)	
Certificates of Participation	(2,420,000)	
Premium on Certificates of Participation	(25,204)	
Compensated Absences	<u>(966,008)</u>	<u>(3,428,442)</u>
Net Position of Governmental Activities		<u><u>\$76,349,916</u></u>

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2019

	General	Adult Education	Bond Retirement	Permanent Improvement	Permanent Improvement Levy	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Property Taxes	\$8,702,163	\$0	\$2,483,625	\$0	\$1,130,533	\$1,333,772	\$13,650,093
Payment in Lieu of Taxes	24,387	0	0	0	11,981	0	36,368
Intergovernmental	9,096,579	1,985,710	0	0	461,345	1,315,921	12,859,555
Interest	746,081	71,358	0	193,581	125,265	3,818	1,140,103
Tuition and Fees	328,467	1,554,248	0	0	0	0	1,882,715
Rent	302	0	0	0	0	0	302
Extracurricular Activities	0	0	0	0	0	93,403	93,403
Charges for Services	124,844	0	0	0	0	261,125	385,969
Gifts and Donations	1,948	0	0	0	0	0	1,948
Miscellaneous	32,949	0	0	0	0	7	32,956
<b>Total Revenues</b>	<b>19,057,720</b>	<b>3,611,316</b>	<b>2,483,625</b>	<b>193,581</b>	<b>1,729,124</b>	<b>3,008,046</b>	<b>30,083,412</b>
<b>Expenditures</b>							
Current:							
Instruction:							
Regular	2,406,556	0	0	0	0	0	2,406,556
Vocational	6,741,112	0	0	0	325,049	597,929	7,664,090
Adult/Continuing	25,587	2,608,625	0	0	0	88,921	2,723,133
Support Services:							
Pupils	1,126,799	0	0	0	0	159,439	1,286,238
Instructional Staff	492,112	458,506	0	372	0	157,698	1,108,688
Board of Education	63,540	0	0	0	0	0	63,540
Administration	1,570,546	0	0	0	0	0	1,570,546
Fiscal	705,633	91,112	0	0	112,725	0	909,470
Business	264,750	0	0	409	0	0	265,159
Operation and Maintenance of Plant	1,373,906	0	0	24,687	12,016	732,617	2,143,226
Pupil Transportation	212,059	0	0	0	0	0	212,059
Central	228,981	0	0	0	0	0	228,981
Operation of Non-Instructional Services:							
Food Service Operations	0	0	0	0	0	533,581	533,581
Other Non-Instructional Services	523	0	0	0	0	976	1,499
Extracurricular Activities	96,013	0	0	0	0	91,223	187,236
Capital Outlay	24,314	0	0	0	0	0	24,314
Debt Service:							
Principal Retirement	18,191	0	2,305,000	0	0	0	2,323,191
Interest and Fiscal Charges	2,544	0	178,625	0	0	0	181,169
<b>Total Expenditures</b>	<b>15,353,166</b>	<b>3,158,243</b>	<b>2,483,625</b>	<b>25,468</b>	<b>449,790</b>	<b>2,362,384</b>	<b>23,832,676</b>
Excess of Revenues Over Expenditures	3,704,554	453,073	0	168,113	1,279,334	645,662	6,250,736
<b>Other Financing Sources (Use)</b>							
Transfers In	0	0	0	500,000	0	500,000	1,000,000
Proceeds from Sale of Capital Assets	0	1,500	0	0	1,500	0	3,000
Transfers Out	(1,000,000)	0	0	0	0	0	(1,000,000)
<b>Total Other Financing Sources (Use)</b>	<b>(1,000,000)</b>	<b>1,500</b>	<b>0</b>	<b>500,000</b>	<b>1,500</b>	<b>500,000</b>	<b>3,000</b>
Net Change in Fund Balances	2,704,554	454,573	0	668,113	1,280,834	1,145,662	6,253,736
Fund Balances Beginning of Year - Restated (See Note 3)	19,830,904	2,086,839	0	6,441,536	4,849,941	5,850,343	39,059,563
Fund Balances End of Year	\$22,535,458	\$2,541,412	\$0	\$7,109,649	\$6,130,775	\$6,996,005	\$45,313,299

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
 Reconciliation of the 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 \$6,253,736

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Asset Additions	425,077	
Current Year Depreciation	<u>(1,496,810)</u>	(1,071,733)

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

Proceeds from Sale of Capital Assets	(3,000)	
Loss on Disposal of Assets	<u>(6,724)</u>	(9,724)

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

Property Taxes	5,930	
Intergovernmental	(2,883)	
Interest	27,957	
Tuition and Fees	108,582	
Rent	735	
Miscellaneous	<u>35,819</u>	176,140

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

Capital Leases	18,191	
Certificates of Participation	<u>2,305,000</u>	2,323,191

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

Accrued Interest	9,284	
Amortization of Premiums	<u>50,408</u>	59,692

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

Pension	1,536,872	
OPEB	<u>40,110</u>	1,576,982

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

Pension	(1,637,101)	
OPEB	<u>2,315,623</u>	678,522

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

Compensated Absences	(22,201)	
Vacation Benefits	<u>(16,268)</u>	(38,469)

Change in Net Position of Governmental Activities \$9,948,337

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Statement of Revenues, Expenditures, and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$7,731,940	\$7,731,940	\$8,283,391	\$551,451
Payment in Lieu of Taxes	31,000	31,000	24,387	(6,613)
Intergovernmental	8,943,708	8,943,708	9,100,143	156,435
Interest	240,000	240,000	514,078	274,078
Tuition and Fees	326,600	326,600	328,767	2,167
Rentals	1,000	1,000	302	(698)
Gifts and Donations	0	0	1,948	1,948
Charges for Services	196,000	196,000	124,844	(71,156)
Miscellaneous	53,000	68,000	72,053	4,053
<b>Total Revenues</b>	<b>17,523,248</b>	<b>17,538,248</b>	<b>18,449,913</b>	<b>911,665</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,333,707	2,329,440	2,407,385	(77,945)
Vocational	7,579,205	7,481,759	6,838,862	642,897
Adult/Continuing	23,800	22,644	1,266	21,378
Support Services:				
Pupils	1,088,801	1,091,405	1,132,816	(41,411)
Instructional Staff	593,451	699,201	623,077	76,124
Board of Education	127,925	128,219	67,258	60,961
Administration	1,566,592	1,566,854	1,568,190	(1,336)
Fiscal	743,883	749,605	686,793	62,812
Business	305,313	305,901	271,450	34,451
Operation and Maintenance of Plant	1,498,068	1,499,245	1,392,680	106,565
Pupil Transportation	221,841	222,135	221,613	522
Central	263,152	263,446	249,756	13,690
Operation of Non-Instructional/Shared Services	17,000	17,590	7,180	10,410
Extracurricular Activities	125,688	125,982	100,431	25,551
Capital Outlay	25,000	25,000	24,314	686
Debt Service:				
Principal Retirement	18,191	18,191	18,191	0
Interest and Fiscal Charges	2,544	2,544	2,544	0
<b>Total Expenditures</b>	<b>16,534,161</b>	<b>16,549,161</b>	<b>15,613,806</b>	<b>935,355</b>
<b>Excess of Revenues Over Expenditures</b>	<b>989,087</b>	<b>989,087</b>	<b>2,836,107</b>	<b>1,847,020</b>
<b>Other Financing Uses</b>				
Advances Out	(20,000)	(20,000)	0	20,000
Transfers Out	(1,074,000)	(1,074,000)	(1,000,000)	74,000
Other Financing Uses	(19,039)	(19,039)	0	19,039
<b>Total Other Financing Sources (Uses)</b>	<b>(1,113,039)</b>	<b>(1,113,039)</b>	<b>(1,000,000)</b>	<b>113,039</b>
<b>Net Change in Fund Balance</b>	<b>(123,952)</b>	<b>(123,952)</b>	<b>1,836,107</b>	<b>1,960,059</b>
Fund Balance Beginning of Year	18,260,415	18,260,415	18,260,415	0
Prior Year Encumbrances Appropriated	152,627	152,627	152,627	0
<b>Fund Balance End of Year</b>	<b>\$18,289,090</b>	<b>\$18,289,090</b>	<b>\$20,249,149</b>	<b>\$1,960,059</b>

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Statement of Revenues, Expenditures, and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Adult Education Special Revenue Fund  
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$2,167,394	\$2,167,394	\$1,985,710	(\$181,684)
Interest	175,050	175,050	50,047	(125,003)
Tuition and Fees	3,488,392	3,215,302	1,564,410	(1,650,892)
<b>Total Revenues</b>	<b>5,830,836</b>	<b>5,557,746</b>	<b>3,600,167</b>	<b>(1,957,579)</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Adult/Continuing	3,122,210	3,183,150	2,648,919	534,231
Support Services:				
Instructional Staff	536,159	536,159	457,641	78,518
Fiscal	107,427	107,427	91,480	15,947
Operation of Non-Instructional/Shared Services	550,000	550,000	0	550,000
<b>Total Expenditures</b>	<b>4,315,796</b>	<b>4,376,736</b>	<b>3,198,040</b>	<b>1,178,696</b>
Excess of Revenues Over (Under) Expenditures	1,515,040	1,181,010	402,127	(778,883)
<b>Other Financing Source (Use)</b>				
Proceeds from Sale of Capital Assets	0	0	1,500	1,500
Other Financing Uses	(1,125,000)	(1,125,000)	0	1,125,000
<b>Total Other Financing Source (Use)</b>	<b>(1,125,000)</b>	<b>(1,125,000)</b>	<b>1,500</b>	<b>1,126,500</b>
Net Change in Fund Balance	390,040	56,010	403,627	347,617
Fund Balance Beginning of Year	2,118,342	2,118,342	2,118,342	0
Prior Year Encumbrances Appropriated	45,588	45,588	45,588	0
<b>Fund Balance End of Year</b>	<b>\$2,553,970</b>	<b>\$2,219,940</b>	<b>\$2,567,557</b>	<b>\$347,617</b>

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Statement of Fiduciary Net Position  
Private Purpose Trust Fund  
June 30, 2019

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$86,138
Investments in Segregated Accounts	<u>1,040,343</u>
Total Assets	<u>1,126,481</u>
<b>Net Position</b>	
Restricted for Individuals	<u><u>\$1,126,481</u></u>

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Statement of Changes in Fiduciary Net Position  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2019

<b>Additions</b>	
Investment Income	\$117,687
<b>Deductions</b>	
Payments for Scholarships to Individuals	<u>53,695</u>
Change in Net Position	63,992
Net Position Beginning of Year	<u>1,062,489</u>
Net Position End of Year	<u><u>\$1,126,481</u></u>

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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**Note 1 - Description of the Center and Reporting Entity**

On April 12, 1965, the State of Ohio Board of Education approved the creation of the Muskingum Area Joint Vocational School District. In 1985, the School District name was changed to the Mid-East Ohio Vocational School District, and on August 11, 2003, the School District name was changed to the Mid-East Career and Technology Centers (Center). The Center is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A vocational school exposes students to job training leading to employment upon graduation from high school.

The Center includes thirteen member schools as follows: Caldwell Exempted Village School District, Cambridge City School District, Crooksville Exempted Village School District, East Guernsey Local School District, East Muskingum Local School District, Franklin Local School District, Maysville Local School District, Noble Local School District, Northern Local School District, Rolling Hills Local School District, Tri-Valley Local School District, West Muskingum Local School District, and Zanesville City School District. The Center is staffed by seventy-seven classified employees and one hundred and twenty-nine certified teaching personnel who provide services to one thousand and thirty-one students and other community members. The Center currently operates ten instructional and administrative buildings on two campuses.

The Center operates under a thirteen member appointed Board of Education and is responsible for the provision of public education to residents of the Center. The Board consists of either 1) one member from the participating school districts' elected Boards or 2) one member appointed by the Board of Education of each of the above districts. For the Center, the members from Noble Local School District and Northern Local School District are appointed by their respective boards of education.

***Reporting Entity***

Since the Center does not have a separately elected governing board and does not meet the definition of a component unit, it is classified as a stand-alone government under the provisions of Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity."

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

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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The Center participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA), the Coalition of Rural and Appalachian Schools (CORAS), the Ohio Coalition for Equity and Adequacy of School Funding, and the Metropolitan Educational Technology Association (META Solutions), which are defined as jointly governed organizations, and the Ohio Association of School Business Officials Workers' Compensation Group Retrospective Rating Program and the Ohio School Benefits Cooperative, which are defined as group insurance purchasing pools. Additional information concerning these organizations is presented in Note 19.

**Note 2 - Summary of Significant Accounting Policies**

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

***Basis of Presentation***

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

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

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

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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***Fund Accounting***

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

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

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

***Adult Education Special Revenue Fund*** The Adult Education Special Revenue Fund accounts for all transactions made in connection with adult education classes.

***Bond Retirement Debt Service Fund*** The Bond Retirement Debt Service Fund accounts for the accumulation of resources restricted for the payment of general obligation principal and interest.

***Permanent Improvement Capital Projects Fund*** The Permanent Improvement Capital Projects Fund accounts for transfers from the General Fund committed for the acquisition, construction, or improvement of capital facilities.

***Permanent Improvement Levy Capital Projects Fund*** The Permanent Improvement Levy Capital Projects Fund accounts for a levy restricted for the acquisition, construction, or improvement of capital facilities.

The other governmental funds of the Center account for grants and other resources whose use is restricted or committed to a particular purpose.

***Fiduciary Fund Types*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Center's only fiduciary fund is a private purpose trust fund which accounts for a college scholarship program for nursing students.

***Measurement Focus***

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Like the government-wide statements, all fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from investment trust, private purpose trust funds, and custodial funds.

***Basis of Accounting***

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

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within 60 days of fiscal year end.

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Center, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 15 and 16.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Center, deferred inflows of resources include property taxes, payment in lieu of taxes, pension, OPEB plans, and unavailable revenue. Property taxes and payment in lieu of 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 on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Center unavailable revenue includes delinquent property taxes, accrued interest, accounts receivable, and intergovernmental grants. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 18. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 15 and 16)

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

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

***Cash, Cash Equivalents, and Investments***

To improve cash management, cash received by the Center is pooled. Monies for all funds, except a portion of the private purpose trust monies and segregated accounts, are maintained in this pool. Individual fund integrity is maintained through the Center's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2019, the Center's investments were limited to federal agency securities, mutual funds, negotiable certificates of deposit, money market deposit accounts, and STAR Ohio. Investments in federal agency securities, mutual funds, negotiable certificates of deposit, and money market deposit accounts are stated at fair value based on quoted market prices. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants". The Center measures their 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.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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For the fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Based upon Board policy, the Center distributes interest to the General Fund, the Adult Education, Fox Scholarship, and Food Service Special Revenue Funds, Permanent Improvement Levy and Permanent Improvement Capital Projects Funds, and the Private Purpose Trust Fund. Interest revenue credited to the General Fund during fiscal year 2019 amounted to \$746,081, which includes \$381,847 assigned from other Center funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Center are presented on the financial statements as cash equivalents. Investments with an original maturity of greater than three months and not purchased from the cash management pool are presented on the financial statements as cash and cash equivalents and investments in segregated accounts. The Center reports the change in fair value of investments. The calculation of realized gains/losses is independent of the calculation of the change in fair value of investments. The realized gains/losses of the current period include unrealized amounts from prior periods.

### ***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which services are consumed.

### ***Inventory***

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

### ***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Center was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year.) Donated fixed assets are recorded at their acquisition values as of the date received. The Center maintains a capitalization threshold of five thousand dollars. 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 capitalized.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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:

<b>Description</b>	<b>Governmental Activities Estimated Lives</b>
Buildings and Improvements	50 Years
Vehicles	8-10 Years
Machinery, Equipment, Furniture and Fixtures	5-25 Years

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net position.

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances are to be used by employees in the fiscal year in which the benefit was earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rate at fiscal year-end, taking into consideration any limits specified in the Center's termination policy. The Center records a liability for accumulated unused sick leave for all employees after seventeen years of current service with the Center and who are within ten years of retirement.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be made.

***Accrued Liabilities and Long-term Obligations***

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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***Pensions/Other Postemployment Benefits (OPEB)***

For purposes of measuring the net pension/OPEB liability (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.

***Bond Premiums, Discounts, and Issuance Costs***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the repayment to the bond escrow agent.

***Interfund Activity***

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

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one 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 financial statements.

***Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets on the Governmental Balance Sheet represent cash and cash equivalents required by State statute to be set aside to create a reserve for budget stabilization, amounts representing unclaimed monies, and amounts withheld on construction contracts until the successful completion of the contracts. See Note 21 for additional information regarding set asides.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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***Fund Balance***

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash. It also includes the long-term portion of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Center Board of Education delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

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***Net Position***

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

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

***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.

***Estimates***

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

***Budgetary Data***

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

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

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**Note 3 - Change in Accounting Principles and Restatement of Fund Balances and Net Position**

For fiscal year 2019, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

For fiscal year 2019, the Center also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-2*. These changes were incorporated in the Center's 2019 financial statements, however, there was no effect on beginning net position/fund balance.

GASB 88 improves the information that is disclosed in the notes to the government 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. These changes were incorporated in the Center's 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest costs incurred before the end of a construction period. These changes were incorporated in the Center's 2019 financial statements; however, there was no effect on beginning net position.

GASB 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Center will no longer be reporting agency funds. The Center reviewed its agency funds and all of these funds have been reclassified as governmental funds.

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2018:

	<u>Nonmajor Governmental</u>
Fund Balance, June 30, 2018	\$5,807,213
Adjustment:	
GASB 84	43,130
Restated Fund Balance June 30, 2018	\$5,850,343

The implementation of GASB Statement No. 84 had the following effect on governmental activities net position as of June 30, 2018:

Net Position June 30, 2018	\$66,358,449
Adjustment:	
GASB 84	43,130
Restated Net Position June 30, 2018	\$66,401,579

The implementation of GASB Statement No. 84 had the following effect on fiduciary assets and liabilities as of June 30, 2018:

	<u>Agency Funds</u>	<u>GASB 84 Adjustment</u>	<u>Custodial Funds</u>
Assets	\$43,130	(\$43,130)	\$0
Liabilities	\$43,130	(\$43,130)	\$0

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**Note 4 - Accountability**

At June 30, 2019, the Food Service and Vocational Education Federal Grant Special Revenue Funds had deficit fund balances in the amounts of \$14,921 and \$23,085, respectively. These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Unrecorded cash and changes in fair market value represent amounts received or adjusted to revenue but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
6. Prepaid items are reported on the balance sheet (GAAP basis) but not on the budget basis.
7. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and are reported with the General Fund (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and the Adult Education Special Revenue Fund:

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Net Change in Fund Balance

	<u>General</u>	<u>Adult Education</u>
GAAP Basis	\$2,704,554	\$454,573
Net Adjustment for Revenue Accruals	(378,005)	9,465
Unrecorded Cash - Prior Year	1,751	158
Unrecorded Cash - Current Year	(41)	(4)
Change in Market Value of Investments - Prior Year	(204,107)	(18,477)
Change in Market Value of Investments - Current Year	(23,912)	(2,291)
Prepaid Items - Prior Year	135,106	21,166
Prepaid Items - Current Year	(132,651)	(33,259)
Net Adjustment for Expenditure Accruals	(22,757)	10,472
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types	(1,357)	0
Encumbrances	(242,474)	(38,176)
Budget Basis	<u>\$1,836,107</u>	<u>\$403,627</u>

**Note 6 - Deposits and Investments**

Monies held by the Center are classified by State statute into three categories.

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

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

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

Protection of the Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

Interim monies held by the Center can be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

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

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

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**Investments:** As of June 30, 2019, the Center had the following investments:

Measurement/Investment	Measurement Amount	Maturity	S&P/ Moody's Rating	Percent of Total Investments
Fair Value - Level 1 Inputs				
Massachusetts Investors Trust - Open End Mutual Fund	\$1,040,343		N/A	4.68%
Fair Value - Level 2 Inputs				
Federal Home Loan Mortgage Corporatio	2,399,760	05/26/2020-05/21/2024	AA+/Aaa	10.81%
Federal National Mortgage Association	3,576,273	07/26/2019-08/24/2021	AA+/Aaa	16.11%
Federal Home Loan Bank	2,353,161	08/26/2019-03/18/2022	AA+/Aaa	10.60%
Federal Farm Credit	3,159,890	11/25/2019-02/22/2027	AA+/Aaa	14.23%
Negotiable Certificates of Deposit	7,880,817	09/13/2019-06/26/2024	N/A	35.49%
US Treasury Bills/Notes	1,795,687	08/31/2019-03/15/2020	AA+/Aaa	8.08%
Net Value Per Share				
STAR Ohio	<u>145,337</u>	Average 53.3 days	AAAm	N/A
Total	<u>\$22,351,268</u>			

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the Center's recurring fair value measurements as of June 30, 2019. The Open End Mutual Fund and Money Market Mutual Fund are measured at fair value and are valued using quoted market prices (Level 1 inputs). The Center's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (level 2 inputs).

#### Interest Rate Risk

The Center's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which he/she does not reasonably believe can be held until the maturity date. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Center, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least two percent and be marked to market daily. The stated intent of the investment policy is to avoid the need to sell securities prior to maturity.

#### Credit Risk

Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Center has no investment policy that addresses custodial credit risk.

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Concentration of Credit Risk

The Center places no limit on the amount it may invest in any one issuer. The percentage that each investment represents of total investments is listed in the table above.

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the Center. Real property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018, and are collected in 2019 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Mid-East Career and Technology Centers. The County Auditors periodically advance to the Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 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 reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources for property taxes not levied to finance current year operations.

The amount available as an advance, and recognized as revenue at June 30, 2019, was \$2,874,691 in the General Fund and \$1,659,641 in the Permanent Improvement Levy Capital Projects Fund. The amount available as an advance at June 30, 2018, was \$2,455,919 in the General Fund and \$1,430,025 was available in the Permanent Improvement Levy Capital Projects Fund.

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

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

	2018 Second- Half Collections		2019 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$3,037,821,451	80.53%	\$3,270,739,103	79.07%
Public Utility Personal	734,519,250	19.47%	865,718,480	20.93%
Total	<u>\$3,772,340,701</u>	<u>100.00%</u>	<u>\$4,136,457,583</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$4.60		\$4.60	

**Note 8 - Tax Abatements**

Center property taxes were reduced as follows under enterprise zone tax exemption agreements entered into by overlapping governments:

Overlapping Government	Fiscal Year 2019 Taxes Abated
Rolling Hills Local School District	\$43,719
Cambridge City School District	5,008
Zanesville City School District	447
Tri-Valley Local School District	45,535
East Muskingum Local School District	3,119
West Muskingum Local School District	5,067
	<u>\$102,895</u>

The above amounts are reported net of the payments in lieu of taxes that the Center receives as a result of these overlapping government agreements with counties in the boundaries of the Center. The overlapping governments have agreed to these enterprise zone agreements with various companies and are being compensated, in part, for lost real and personal property taxes that otherwise would have been due each year, pursuant to the financing agreements. The Center shares in these payments that are shown as Payment in Lieu of Taxes in the financial statements.

**Note 9 - Receivables**

Receivables at June 30, 2019, consisted of property taxes, payment in lieu of taxes, accounts, intergovernmental grants, accrued interest, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and the classroom facilities grant, are expected to be collected within one year. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$1,578,899 may not be collected within one year. The portion of the State Classroom Facilities grant totaling \$816,545 that will be paid to the Center through the Ohio School Facilities Commission for future construction may not be collected within one year.

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On October 1, 2009, the Center was awarded \$22,712,695 for renovations to buildings on two campuses under the State’s “Classroom Facilities Program”. Under this program, the Center entered into an agreement with the State of Ohio in which the State would pay for a portion of the estimated project costs. As part of the process, the Center maintains a fund into which a set amount of proceeds from a levy is receipted for facilities maintenance. On December 23, 2010, an amendment to this project was approved in the amount of \$3,233,631 due to a reassessment of the budget for the project. As of the end of the fiscal year 2019, the Center had received \$25,129,781 of the monies awarded under this program. The remaining amount of \$816,545 is recorded as a receivable and unavailable revenue on the balance sheet.

A summary of principal items of intergovernmental receivables follows:

	Amounts
ABLE Grant	\$45,145
Carl D. Perkins Secondary Grant	82,858
Carl D. Perkins Adult Grant	28,732
Adult Education Reimbursements	6,334
High Schools That Work Grant	2,008
Ohio School Facilities Grant	816,545
OMEGA CDL Grant	22,500
Bureau of Workers' Compensation Refund	35,819
Miscellaneous Intergovernmental Receivables	4,605
Total	\$1,044,546

**Note 10 - Interfund Balances**

At June 30, 2019, the General Fund reflects an interfund receivable in the amount of \$101,450 which is due from the Food Service, Vocational Education Federal Grant, and Miscellaneous Federal Grants Special Revenue Funds in the amounts of \$20,000, \$61,718, and \$19,732, respectively, on the governmental fund balance sheet. These transactions are the result interfund loans used to provide cash flow resources until the receipt of sufficient operating revenues or grant monies.

**Note 11 - Capital Assets**

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

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	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
<b>Nondepreciable Capital Assets</b>				
Land	\$560,936	\$24,687	\$0	\$585,623
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	59,510,502	24,445	0	59,534,947
Vehicles	1,088,416	161,586	0	1,250,002
Machinery, Equipment, Furniture and Fixtures	3,544,327	214,359	(41,210)	3,717,476
Total Capital Assets Being Depreciated	64,143,245	400,390	(41,210)	64,502,425
Less Accumulated Depreciation:				
Buildings and Improvements	(10,558,665)	(1,196,593)	0	(11,755,258)
Vehicles	(609,065)	(86,679)	0	(695,744)
Machinery, Equipment, Furniture and Fixtures	(1,902,912)	(213,538)	31,486	(2,084,964)
Total Accumulated Depreciation	(13,070,642)	(1,496,810) *	31,486	(14,535,966)
Total Capital Assets Being Depreciated, Net	51,072,603	(1,096,420)	(9,724)	49,966,459
Governmental Activities Capital Assets, Net	\$51,633,539	(\$1,071,733)	(\$9,724)	\$50,552,082

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$186,614
Vocational	622,589
Adult/Continuing	144,232
Support Services:	
Pupils	91,063
Instructional Staff	72,070
Board of Education	2,174
Administration	125,028
Fiscal	31,222
Business	20,680
Operation and Maintenance of Plant	92,897
Pupil Transportation	42,149
Central	28,832
Non-Instructional Services - Food Service Operations	29,361
Extracurricular Activities	7,899
Total Governmental Depreciation	<u>\$1,496,810</u>

**Note 12 - Interfund Transfers**

Interfund transfers for the year ended June 30, 2019 consisted of the following:

	Transfer To		Totals
	Major Fund Permanent Improvement	Other Governmental Funds	
Major Fund:			
General Fund	\$500,000	\$500,000	\$1,000,000

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The Center transferred \$500,000 from the General Fund to both the Permanent Improvement and Capital Improvement Capital Projects Funds in order to maintain a working balance in these funds.

**Note 13 - Risk Management**

***Property and Liability***

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the Center contracted with Utica National Insurance Group, through The Young Insurance Agency. Coverage is as follows:

Commercial Property	\$61,851,716	\$5,000 deductible
Commercial General Liability:		
Per Occurrence	1,000,000	\$1,000 deductible
Aggregate Per Year	5,000,000	\$1,000 deductible
Commercial Crime Per Occurrence	100,000	
Commercial Inland Marine		
Builders' Risk	90,000	\$1,000 deductible
Miscellaneous Floater Coverage	563,298	\$6,000 deductible
Commercial Auto		
Liability	1,000,000	
Medical Expense	5,000	
Comprehensive	Actual Cash Value	\$1,000 deductible
Collision	Actual Cash Value	\$1,000 deductible
Uninsured Motorists	500,000	
Underinsured Motorists	500,000	

In addition, the Center contracts with the Ohio Casualty Insurance Company for bonds for the Treasurer and Superintendent up to limits of \$100,000 each.

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

***Workers' Compensation***

For fiscal year 2019, the Center participated in the Ohio Association of School Business Officials Workers' Compensation Group Retrospective Rating Program (GRP), an insurance purchasing pool (Note 19). The GRP is an alternative rating program to assist participants with controlling and reducing their workers' compensation premium. The program is designed to reward participants that are able to keep their claim costs below a predetermined amount. School districts join together as a group; however, each continues to pay their own individual premium to the State. At the end of each of the three evaluation periods, each school district has an opportunity to receive retrospective premium adjustments based on the combined performance of the group. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

## **Note 14 - Other Employee Benefits**

### ***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Administrators and teachers who work less than 260 days per year do not earn vacation time. Vacation balances are to be used within one year from the time they are earned. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 280 days for all employees. Upon retirement, employees other than the superintendent and treasurer receive payment for one-fourth of the sick leave accumulation. The superintendent and treasurer receive payment for thirty-five percent of the sick leave accumulation.

### ***Insurance***

The Center provides health insurance benefits through the Ohio School Benefits Cooperative, an insurance purchasing pool (see Note 19). The costs of health insurance premiums are \$1,908.58 for family coverage and \$762.52 for single coverage. The employees are responsible to pay \$286.29 for family coverage and \$114.38 for single coverage. The board pays the remainder of the monthly premium.

The Center provides life insurance and accidental death and dismemberment insurance to employees through Lincoln Financial Company in the amount of \$45,000 for full-time certified employees and \$45,000 for full-time and \$25,000 for part-time classified employees.

The Center provides dental insurance to employees through Coresource, Inc. The costs of dental insurance premiums are \$95.86 for both family and single coverage with the employee share being \$14.38.

## **Note 15 - Defined Benefit Pension Plans**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

### ***Net Pension Liability/Net OPEB Liability***

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions/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 pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the Center's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/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.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

***School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

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An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The Center's contractually required contribution to SERS was \$367,372 for fiscal year 2019. Of this amount \$30,808 is reported as an intergovernmental payable.

***State Teachers Retirement System (STRS)***

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1m 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 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 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2019 contribution rates were equal to the statutory maximum rates and the full employer contribution was allocation to pension.

The Center's contractually required contribution to STRS was \$1,169,500 for fiscal year 2019. Of this amount \$148,652 is reported as an intergovernmental 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 Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.07883830%	0.06982527%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.07871750%</u>	<u>0.06994137%</u>	
Change in Proportionate Share	<u>-0.00012080%</u>	<u>0.00011610%</u>	
Proportionate Share of the Net Pension Liability	\$4,508,297	\$15,378,536	\$19,886,833
Pension Expense	\$356,932	\$1,280,169	\$1,637,101

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$247,251	\$354,984	\$602,235
Changes of assumptions	101,807	2,725,366	2,827,173
Changes in proportion and differences between Center contributions and proportionate share of contributions	92,854	72,783	165,637
Center contributions subsequent to the measurement date	<u>367,372</u>	<u>1,169,500</u>	<u>1,536,872</u>
Total Deferred Outflows of Resources	<u>\$809,284</u>	<u>\$4,322,633</u>	<u>\$5,131,917</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$100,431	\$100,431
Net difference between projected and actual earnings on pension plan investments	124,911	932,537	1,057,448
Changes in proportion and differences between Center contributions and proportionate share of contributions	<u>21,192</u>	<u>236,032</u>	<u>257,224</u>
Total Deferred Inflows of Resources	<u>\$146,103</u>	<u>\$1,269,000</u>	<u>\$1,415,103</u>

\$1,536,872 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$363,380	\$1,121,839	\$1,485,219
2021	118,688	846,441	965,129
2022	(147,950)	114,824	(33,126)
2023	<u>(38,309)</u>	<u>(198,971)</u>	<u>(237,280)</u>
Total	<u>\$295,809</u>	<u>\$1,884,133</u>	<u>\$2,179,942</u>

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***Actuarial Assumptions - SERS***

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

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

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

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

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. 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 earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Center's proportionate share of the net pension liability	\$6,350,276	\$4,508,297	\$2,963,921

**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:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

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.

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

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Center's proportionate share of the net pension liability	\$22,458,329	\$15,378,536	\$9,386,454

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2019, there are eleven employees who have elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 16 - Defined Benefit OPEB Plans**

See Note 15 for a description of the net OPEB liability.

***School Employees Retirement System (SERS)***

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. 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.

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the Center's surcharge obligation was \$26,504.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Center's contractually required contribution to SERS was \$40,110 for fiscal year 2019. Of this amount \$27,645 is reported as an intergovernmental payable.

***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](http://www.strsoh.org) or by calling (888) 227-7877.

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

***OPEB Liabilities (Asset), 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 used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Center's proportion of the net OPEB liability (asset) was based on the Center's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.07673520%	0.06982527%	
Proportion of the Net OPEB Liability/Asset			
Current Measurement Date	<u>0.07749140%</u>	<u>0.06994137%</u>	
Change in Proportionate Share	<u>0.00075620%</u>	<u>0.00011610%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$2,149,821	\$0	\$2,149,821
Net OPEB Asset	\$0	\$1,123,887	\$1,123,887
OPEB Expense	\$118,305	(\$2,433,928)	(\$2,315,623)

At June 30, 2019, the 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>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$35,093	\$131,271	\$166,364
Changes in proportionate share and difference between			
Center contributions and proportionate share of contributions	23,796	19,460	43,256
Center contributions subsequent to the measurement date	<u>40,110</u>	<u>0</u>	<u>40,110</u>
Total Deferred Outflows of Resources	<u>\$98,999</u>	<u>\$150,731</u>	<u>\$249,730</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$65,481	\$65,481
Changes of assumptions	193,146	1,531,384	1,724,530
Net difference between projected and actual earnings on OPEB			
plan investments	3,226	128,395	131,621
Changes in Proportionate Share and difference between Center			
contributions and proportionate share of contributions	<u>9,423</u>	<u>0</u>	<u>9,423</u>
Total Deferred Inflows of Resources	<u>\$205,795</u>	<u>\$1,725,260</u>	<u>\$1,931,055</u>

\$40,110 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in the fiscal 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:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	(\$66,827)	(\$281,630)	(\$348,457)
2021	(52,912)	(281,630)	(334,542)
2022	(8,845)	(281,631)	(290,476)
2023	(7,472)	(252,472)	(259,944)
2024	(7,695)	(242,241)	(249,936)
Thereafter	(3,155)	(234,925)	(238,080)
Total	(\$146,906)	(\$1,574,529)	(\$1,721,435)

***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:

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Inflation	3.00 percent
Future Salary Increases, including inflation	
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, 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. 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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***Sensitivity of the Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 2.5 percentage points lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
Center's proportionate share of the net OPEB liability	\$2,608,638	\$2,149,821	\$1,786,523

	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 %)
Centers proportionate share of the net OPEB liability	\$1,734,511	\$2,149,821	\$2,699,765

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 percent initial, 4 percent ultimate

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

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

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

Since the prior measurement date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent 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.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent 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 were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was 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 percent was used to measure the total OPEB liability at June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

**Sensitivity of the 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 percent, 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 percent) or one percentage point higher (8.45 percent) 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%)
Center's proportionate share of the net OPEB asset	(\$963,276)	(\$1,123,887)	(\$1,258,872)

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	1% Decrease	Current Trend Rate	1% Increase
Center's proportionate share of the net OPEB asset	(\$1,251,252)	(\$1,123,887)	(\$994,537)

**Note 17 - Capital Leases**

In fiscal year 2015, the Center entered into a capitalized lease for three copiers in the amount of \$54,200. In fiscal year 2016, the Center entered into a capitalized lease for a copier in the amount of \$17,750. In fiscal year 2018, the Center entered into a capitalized lease for a postage/ mailing machine in the amount of \$13,005. Each lease meets the criteria of a capital lease which is defined as transferring benefits and risks of ownership to the lessee. Capital lease payments have been reclassified from business support services expenditures on the budgetary statements to principal and interest debt service expenditures for the General Fund. Principal payments in fiscal year 2019 totaled \$18,191.

Current and retired leased equipment that the Center still has in inventory was originally capitalized in the amount of \$91,986, the present value of the minimum lease payments at the inception of the leases. The accumulated depreciation as of June 30, 2019 was \$40,316, and the book value was \$51,670.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2019:

Fiscal Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$8,796	\$1,268	\$10,064
2021	3,840	623	4,463
2022	2,987	322	3,309
2023	1,607	47	1,654
Present Value of Net Minimum Lease Payments	\$17,230	\$2,260	\$19,490

**Note 18 - Long-Term Obligations**

The changes in the Center's long-term obligations during the year consist of the following:

Mid-East Career and Technology Centers, Ohio  
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	Principal Outstanding 06/30/18	Additions	Reductions	Principal Outstanding 06/30/19	Amounts Due within One Year
<b>Governmental Activities:</b>					
Capital Leases Payable	\$35,421	\$0	(\$18,191)	\$17,230	\$8,796
Direct Placement:					
Certificates of Participation -					
\$11,965,000, Various Interest Rate	4,725,000	0	(2,305,000)	2,420,000	2,420,000
Premium on Certificates of Participation	75,612	0	(50,408)	25,204	0
Total Certificates of Participation Liability	4,800,612	0	(2,355,408)	2,445,204	2,420,000
Net Pension Liability -					
STRS	16,587,142	0	(1,208,606)	15,378,536	0
SERS	4,710,414	0	(202,117)	4,508,297	0
Total Net Pension Liability	21,297,556	0	(1,410,723)	19,886,833	0
Net OPEB Liability -					
STRS	2,724,325	0	(2,724,325)	0	0
SERS	2,059,371	90,450	0	2,149,821	0
Total Net Pension Liability	4,783,696	90,450	(2,724,325)	2,149,821	0
Compensated Absences	943,807	127,645	(105,444)	966,008	45,653
Total Governmental Activities Long-Term Liabilities	\$31,861,092	\$218,095	(\$6,614,091)	\$25,465,096	\$2,474,449

On December 15, 2009, the Center issued \$11,965,000 in certificates of participation (COPs), for use in upgrading existing facilities. The COPs issuance included a premium of \$504,080 which will be amortized over the life of the COPs and issuance costs of \$291,894, which were expensed. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be “qualified tax exempt obligations” within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Muskingum County Business Incubator, and then subleased back to the Center. The COPs were issued through a series of annual leases with an initial lease term of ten years which includes the right to renew for ten successive one-year terms through December 1, 2019, subject to annual appropriations. To satisfy the trustee requirements, the Center is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component ranging from 1.65 percent to 5.0 percent. The Center has the option to purchase the Project Facilities on any Lease Payment Date by paying \$100 plus the amount necessary to defease the Indenture.

Upon the occurrence of an Event of Default by the Lessee (Center), the Lessor (Muskingum County Business Incubator) has the following remedies:

Mid-East Career and Technology Centers, Ohio  
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For the Fiscal Year Ended June 30, 2019

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1. The Lessor may request the Lessee to promptly return possession of the facilities to the Lessor, and at the Lessor's option, the Lessor may enter upon the facilities and take immediate possession of and remove any or all of the facilities.
2. The Lessor may sublease the facilities for the account of the Lessee and hold the Lessee liable for the difference between the original rental and the amount received from the sublease.
3. The Lessor may exercise any other right, remedy, or privilege which may be available to it under the applicable laws of the State to enforce the terms of the lease or to recover damages for the breach of the lease or to rescind the lease.

Annual base rent requirements to retire the certificates of participation outstanding at June 30, 2019 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$2,420,000	\$60,500	\$2,480,500

Capital leases will be repaid from the General Fund.

There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from the following funds: General Fund and Adult Education, Vocational Education, Miscellaneous Federal Grants, and Food Service Special Revenue Funds. For additional information related to the net pension/OPEB liability, see Notes 15 and 16.

The Center will pay compensated absences from the General Fund and the Food Service and Adult Education Special Revenue Funds.

The overall debt margin of the Center as of June 30, 2019, was \$372,263,952, with an unvoted debt margin of \$4,119,228.

**Note 19 - Jointly Governed Organizations and Insurance Purchasing Pools**

***Jointly Governed Organizations***

The ***Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA)*** was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a board comprised of a representative from each participating school district. The Board exercises total control over the operation of OME-RESA including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2019, the amount paid to OMERESA from the Center was \$52,651 for technology, internet access, financial accounting services, and educational management information. The Jefferson County Education Service Center serves as fiscal agent. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
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The ***Coalition of Rural and Appalachian Schools (CORAS)*** is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of no more than nineteen members not including ex-officio members. The Board shall include the Dean of the College of Education, and two additional members from Ohio University appointed by the Dean. There shall be one elected member from each of the eight multi-county regions. The eight elected members shall appoint eight additional members, one from each multi-county region. A County Region must have a minimum of five active public school district members to qualify for an elected and an appointed member on the Board. Elected and appointed members, other than those representing Ohio University, must be active school superintendents from a member school district. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the Center and the Center does not maintain an equity interest in or financial responsibility for the Council. The Council exercises total control over the operation of CORAS including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. The Center's membership fee was \$325 for fiscal year 2019. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at McCracken Hall, Ohio University, Athens, Ohio 45701.

The ***Ohio Coalition for Equity and Adequacy of School Funding*** is a regional council of government established in January 1991. The purpose of the Coalition is to bring about greater equity and adequacy of public school funding in Ohio. The Coalition is governed by a steering committee consisting of representatives from the membership group. The steering committee consists of not more than 78 representatives, who are Superintendents of Boards of Education that are Coalition members, plus an additional 12 representatives that need not be Board of Education Superintendents. Each participant's control is limited to its representation on the committee. The steering committee exercises total control of the operation of the Coalition including budgeting, appropriating, contracting, and designating management. The Center's membership fee was \$528 for fiscal year 2019.

The Center participates in the ***Metropolitan Educational Technology Association (META Solutions)***, a jointly governed organization created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During fiscal year 2019, the Center made a payment of \$2,000 to META for services. Financial information may be obtained from Scott Armstrong, CFO, 100 Executive Drive, Marion, Ohio 43302.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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***Insurance Purchasing Pools***

***Ohio Association of School Business Officials Workers' Compensation Group Retrospective Rating Program*** The Center participates in the Ohio Association of School Business Officials Workers' Compensation Group Retrospective Rating Program (GRP), a group insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Executive Director of the OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The Center's enrollment fee was \$1,555 for calendar year 2019.

***Ohio School Benefits Cooperative*** The Center participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be school district and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees.

Participants pay an initial \$500 membership fee to OSBC. OSBC offers two options to participants. Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. Medical Mutual/Antares is the Administrator of the OSBC. The Center elected to participate in the joint insurance purchasing program for medical, prescription drug, and vision coverage.

**Note 20 - Contingencies**

***Grants***

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2019, if applicable, cannot be determined at this time.

***School Foundation***

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the Center.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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***Litigation***

The Center is currently not a party to any legal proceedings.

**Note 21 - Set-Asides**

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

Effective June 30, 2005, through Amended Substitute House Bill 66, school districts that are declared to be in Fiscal Caution, may either reduce or eliminate the set-aside, provided that the Districts apply and receive approval from the Ohio Department of Education.

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

	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2018	\$0	\$45,566
Current year offsets	(1,000,000)	0
Current year set-aside requirement	201,842	0
Qualifying disbursements	(105,597)	0
Total	(\$903,755)	\$45,566
Set-aside reserve balance as of June 30, 2019	\$0	\$0

The Center had qualifying expenditures and offsets during the fiscal year that reduced the set-aside amount below zero for capital improvements, which may not be carried forward to future fiscal years.

**Note 22 - Significant Commitments**

***Encumbrances***

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

Mid-East Career and Technology Centers, Ohio  
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Governmental Funds	
General Fund	\$242,474
Adult Education Special Revenue Fund	38,176
Permanent Improvement Capital Projects Fund	6,910
Permanent Improvement Levy Capital Projects Fund	23,099
Other Governmental Funds	394,435
 Total All Funds	 \$705,094

***Contractual Commitment***

As of June 30, 2019, the Center had contractual purchase commitments relating to local maintenance projects:

Contractor	Purchase Commitment	Amounts Paid as of 06/30/2019	Amounts Remaining on Contract
Sands Decker CPS LLC	\$18,336	\$16,836	\$1,500
Parnell & Associates, Incorporated	302,531	168,779	133,752

**Note 22 - Subsequent Event**

On July 8, 2019, the Center’s Board of Education approved a resolution declaring the necessity, for the purpose of permanent improvements for the Center. The levy is a renewal levy with a decrease of taxes in excess of the ten-mill limitation in the amount of 0.35 mills for 10 years. The levy was approved by voters on the November 5, 2019 general election. The renewal levy will generate approximately \$1.3 million dollars annually.

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**Mid-East Career and Technology Centers**  
*Required Supplementary Information*  
*Schedule of the Center's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Six Fiscal Years (1) \**

	2019	2018	2017	2016
Center's Proportion of the Net Pension Liability	0.07871750%	0.07883830%	0.07565180%	0.07701230%
Center's Proportionate Share of the Net Pension Liability	\$4,508,297	\$4,710,414	\$5,537,013	\$4,394,397
Center's Covered Payroll	\$2,628,741	\$2,561,507	\$2,403,836	\$2,282,214
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	171.50%	183.89%	230.34%	192.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%

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

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

See accompanying notes to the required supplementary information

2015	2014
0.07917300%	0.07917300%
\$4,006,901	\$4,708,164
\$2,478,740	\$2,047,137
161.65%	229.99%
71.70%	65.52%

**Mid-East Career and Technology Centers**  
*Required Supplementary Information*  
*Schedule of the Center's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Six Fiscal Years (1) \**

	2019	2018	2017	2016
Center's Proportion of the Net Pension Liability	0.06994137%	0.69825270%	0.06942418%	0.07008781%
Center's Proportionate Share of the Net Pension Liability	\$15,378,536	\$16,587,142	\$23,238,367	\$19,370,221
Center's Covered Payroll	\$8,028,050	\$7,737,250	\$7,372,950	\$7,274,393
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	191.56%	214.38%	315.18%	266.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%	72.10%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2015	2014
0.07276065%	0.07276065%
\$17,697,908	\$21,081,632
\$7,396,029	\$7,710,177
239.29%	273.43%
74.70%	69.30%

**Mid-East Career and Technology Centers**  
*Required Supplementary Information*  
*Schedule of the Center's Proportionate Share of the Net OPEB Liability*  
*School Employees Retirement System of Ohio*  
*Last Three Fiscal Years (1)*

	2019	2018	2017
Center's Proportion of the Net OPEB Liability	0.07749140%	0.07673520%	0.07413840%
Center's Proportionate Share of the Net OPEB Liability	\$2,149,821	\$2,059,371	\$2,113,219
Center's Covered Payroll	\$2,628,741	\$2,561,507	\$2,403,836
Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	81.78%	80.40%	87.91%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

**Mid-East Career and Technology Centers**  
*Required Supplementary Information*  
*Schedule of the Center's Proportionate Share of the Net OPEB (Asset) Liability*  
*School Teachers Retirement System of Ohio*  
*Last Three Fiscal Years (1)\**

	2019	2018	2017
Center's Proportion of the Net OPEB Liability (Asset)	0.06994137%	0.06982527%	0.06942418%
Center's Proportionate Share of the Net OPEB Liability (Asset)	(\$1,123,887)	\$2,724,325	\$3,712,823
Center's Covered Payroll	\$8,028,050	\$7,737,250	\$7,372,950
Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-14.00%	35.21%	50.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

**Mid-East Career and Technology Centers**  
*Required Supplementary Information*  
*Schedule of Center Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	2019	2018	2017	2016
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$367,372	\$354,880	\$358,611	\$336,537
Contributions in Relation to the Contractually Required Contribution	<u>(367,372)</u>	<u>(354,880)</u>	<u>(358,611)</u>	<u>(336,537)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Center Covered Payroll (1)	\$2,721,274	\$2,628,741	\$2,561,507	\$2,403,836
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	\$40,110	\$44,494	\$26,709	\$26,675
Contributions in Relation to the Contractually Required Contribution	<u>(40,110)</u>	<u>(44,494)</u>	<u>(26,709)</u>	<u>(26,675)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.47%</u>	<u>1.69%</u>	<u>1.04%</u>	<u>1.11%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.97%</u>	<u>15.19%</u>	<u>15.04%</u>	<u>15.11%</u>

(1) The Center's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$300,796	\$343,553	\$283,324	\$276,366	\$239,902	\$254,282
(300,796)	(343,553)	(283,324)	(276,366)	(239,902)	(254,282)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,282,214	\$2,478,740	\$2,047,137	\$2,054,764	\$1,908,527	\$1,878,005
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
\$40,809	\$22,643	\$23,470	\$44,692	\$57,924	\$38,726
(40,809)	(22,643)	(23,470)	(44,692)	(57,924)	(38,726)
\$0	\$0	\$0	\$0	\$0	\$0
1.79%	0.91%	1.15%	2.18%	3.04%	2.06%
14.97%	14.77%	14.99%	15.63%	15.61%	15.60%

**Mid-East Career and Technology Centers**  
*Required Supplementary Information*  
*Schedule of Center Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	2019	2018	2017	2016
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,169,500	\$1,123,927	\$1,083,215	\$1,032,213
Contributions in Relation to the Contractually Required Contribution	(1,169,500)	(1,123,927)	(1,083,215)	(1,032,213)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Center Covered Payroll (1)	\$8,353,571	\$8,028,050	\$7,737,250	\$7,372,950
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Asset/Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The Center's covered payroll is the same for Pension and OPEB

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$1,018,415	\$961,484	\$1,002,323	\$967,387	\$977,267	\$973,248
(1,018,415)	(961,484)	(1,002,323)	(967,387)	(977,267)	(973,248)
\$0	\$0	\$0	\$0	\$0	\$0
\$7,274,393	\$7,396,029	\$7,710,177	\$7,441,438	\$7,517,438	\$7,486,523
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$0	\$73,960	\$77,102	\$74,414	\$75,174	\$74,865
0	(73,960)	(77,102)	(74,414)	(75,174)	(74,865)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Mid-East Career and Technology Centers, Ohio  
Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2019

**Net Pension Liability**

**Changes in Assumptions - SERS**

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

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

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

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**Changes in Assumptions - STRS**

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mid-East Career and Technology Centers, Ohio  
Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2019

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Beginning with fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 - Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

### **Net OPEB Liability**

#### **Changes in Assumptions - SERS**

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

#### **Changes in Assumptions - STRS**

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

Mid-East Career and Technology Centers, Ohio  
Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2019

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**Changes in Benefit Terms - STRS OPEB**

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent 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.

**MID-EAST CAREER AND TECHNOLOGY CENTERS  
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>FEDERAL GRANTOR Pass-Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	2018/2019	\$29,946
Cash Assistance:			
School Breakfast Program	10.553	2018/2019	56,583
National School Lunch Program	10.555	2018/2019	204,405
Cash Assistance Subtotal			<u>260,988</u>
Total Child Nutrition Cluster			290,934
Child Care and Adult Care Food Program	10.558	2018/2019	<u>13,685</u>
Total U.S. Department of Agriculture			<u>304,619</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
Adult Education - Basic Grants to States	84.002	2018 2019	16,158 <u>111,288</u>
Total Adult Education - Basic Grants to States			127,446
Career and Technical Education - Basic Grants to States	84.048	2018 2019	66,948 <u>567,376</u>
Total Career and Technical Education - Basic Grants to States			634,324
Student Financial Assistance Cluster:			
<i>Direct from United States Department of Education:</i>			
Federal Pell Grant Program	84.063	2019	546,718
Federal Direct Student Loans	84.268	2019	<u>1,121,541</u>
Total Student Financial Assistance Cluster			<u>1,668,259</u>
Total U.S. Department of Education			<u>2,430,029</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$2,734,648</u></u></b>

*The accompanying notes are an integral part of this Schedule.*

**MID-EAST CAREER AND TECHNOLOGY CENTERS  
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR § 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Mid-East Career and Technology Centers (the Center) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Center.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

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

**NOTE D – CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

# OHIO AUDITOR OF STATE KEITH FABER



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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

Mid-East Career and Technology Centers  
Muskingum County  
400 Richards Road  
Zanesville, Ohio 43701

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 Mid-East Career and Technology Centers, Muskingum County, Ohio (the Center), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 12, 2019.

### ***Internal Control Over Financial Reporting***

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

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

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

### **Compliance and Other Matters**

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

**Purpose of this Report**

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



Keith Faber  
Auditor of State  
Columbus, Ohio

December 12, 2019

# OHIO AUDITOR OF STATE KEITH FABER



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

Mid-East Career and Technology Centers  
Muskingum County  
400 Richards Road  
Zanesville, Ohio 43701

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Mid-East Career and Technology Centers', Muskingum County, Ohio (the Center), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Center's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the Center's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on the Major Federal Program***

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

***Report on Internal Control Over Compliance***

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

December 12, 2019

**MID-EAST CAREER AND TECHNOLOGY CENTERS  
MUSKINGUM COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b> Student Financial Assistance Cluster – CFDA Nos. 84.063 and 84.268	
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	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**

None.

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# OHIO AUDITOR OF STATE KEITH FABER



**MID-EAST CAREER AND TECHNOLOGY CENTER  
MUSKINGUM COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 26, 2019**