



OHIO AUDITOR OF STATE
KEITH FABER



**MID-EAST CAREER AND TECHNOLOGY CENTERS
MUSKINGUM COUNTY
JUNE 30, 2020**

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MUSKINGUM COUNTY
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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, 2020, 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 Center, as of June 30, 2020, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and Adult Education Special Revenue Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 23 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Center. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension and 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 14, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio

December 14, 2020

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Mid-East Career and Technology Centers, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

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, 2020. 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 2020 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, 2020, by \$79,739,287 (net position). Of this amount, \$14,827,726 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 \$3,389,371 from the net position at the beginning of fiscal year 2020.
- General revenues accounted for \$18,213,612 in revenue or 67 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$9,078,396 or 33 percent of total revenues of \$27,292,008.
- The Center had \$23,902,637 in expenses related to governmental activities; only \$9,078,396 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 \$18,213,612 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 2019-2020 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
For the Fiscal Year Ended June 30, 2020
Unaudited

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, and the Permanent Improvement Levy and 2020 Construction 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.

Mid-East Career and Technology Centers, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

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 2020 compared to 2019.

(Table 1)
Net Position

	Governmental Activities		
	2020	2019	Change
Assets			
Current and Other Assets	\$72,998,119	\$56,406,039	\$16,592,080
Noncurrent Assets:			
Net OPEB Asset	1,176,300	1,123,887	52,413
Capital Assets, Net	50,062,786	50,552,082	(489,296)
Total Assets	<u>124,237,205</u>	<u>108,082,008</u>	<u>16,155,197</u>
Deferred Outflows of Resources			
Pension	3,893,171	5,131,917	(1,238,746)
OPEB	351,626	249,730	101,896
Total Deferred Outflows of Resources	<u>4,244,797</u>	<u>5,381,647</u>	<u>(1,136,850)</u>
Liabilities			
Current and Other Liabilities	2,439,587	2,279,060	160,527
Long-Term Liabilities			
Due Within One Year	1,287,054	2,474,449	(1,187,395)
Due in More Than One Year:			
Net Pension Liability	20,385,337	19,886,833	498,504
Net OPEB Liability	1,909,072	2,149,821	(240,749)
Other Amounts	11,783,148	953,993	10,829,155
Total Liabilities	<u>37,804,198</u>	<u>27,744,156</u>	<u>10,060,042</u>
Deferred Inflows of Resources			
Property Taxes	7,948,225	5,992,924	1,955,301
Payments in Lieu of Taxes	23,688	30,501	(6,813)
Pension	950,656	1,415,103	(464,447)
OPEB	2,015,948	1,931,055	84,893
Total Deferred Inflows of Resources	<u>10,938,517</u>	<u>9,369,583</u>	<u>1,568,934</u>
Net Position			
Net Investment in Capital Assets	49,533,179	48,114,852	1,418,327
Restricted	15,378,382	16,987,889	(1,609,507)
Unrestricted	14,827,726	11,247,175	3,580,551
Total Net Position	<u>\$79,739,287</u>	<u>\$76,349,916</u>	<u>\$3,389,371</u>

Mid-East Career and Technology Centers, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

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, 2020 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.

Mid-East Career and Technology Centers, Ohio
Management's Discussion and Analysis
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Most long-term liabilities have set repayment schedules or, in the case of compensated absences, 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 \$16,155,197, or 15 percent from the prior fiscal year. Current and other assets reflect an overall increase in the amount of \$16,592,080 due primarily to increases in cash and cash equivalents and investments. Cash and cash equivalents increased by \$5,107,079 as the Center strives to maintain a healthy working balance in as many areas as possible. Investments valued at \$11,730,552, are the result of unspent debt proceeds from the issuance of a lease. Property taxes receivable increased in the amount of \$465,530 as public utility valuations continue to increase in relation to the oil and gas industry. Intergovernmental receivable decreased by \$482,978 as the Center is nearing completion of the Ohio School Facilities program and are receiving final payments before the final reconciliation process. For fiscal year 2020, the Center reflects a net OPEB asset as explained in Note 16. Capital assets decreased due to current year deletions and depreciation exceeding capital outlay in the amount of \$489,296.

Deferred outflows of resources decreased in the amount of \$1,136,850 due to the net differences between expected and actual experience, payments subsequent to the measurement date, and changes of assumptions related to the Center's proportionate share of the net pension and OPEB liabilities.

Total liabilities increased by \$10,060,042. Amounts due within one year decreased in the amount of \$1,187,395 as the Center retired the outstanding Certificates of Participation during fiscal year 2020. Long-term liabilities - due in more than one year, excluding the pension and OPEB liabilities, increased by \$10,829,155 primarily due to the issuance of a lease-purchase agreement. The changes in the net pension and OPEB liabilities represent changes in 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 increase in property taxes receivable, as explained earlier, deferred inflows of resources from property taxes increased by \$1,955,301. This increase was offset by a net decrease in the 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 \$3,389,371. 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 decreased in the amount of \$1,609,507 primarily due to the Center utilizing restricted resources accumulated in prior fiscal years for capital projects. Net investment in capital assets increased by \$1,418,327 as a combined result of retiring capital related debt and recognizing current year capitalizations, deletions, and depreciation.

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Table 2 shows the changes in net position for the fiscal year ended June 30, 2020, and comparisons to fiscal year 2019.

Table 2 - Change in Net Position

	Governmental Activities		
	2020	2019	Change
Revenues			
Program Revenues:			
Charges for Services	\$2,046,012	\$2,471,706	(\$425,694)
Operating Grants, Contributions, and Interest	6,633,492	6,079,185	554,307
Capital Grants, Contributions, and Interest	398,892	590,000	(191,108)
Total Program Revenues	<u>9,078,396</u>	<u>9,140,891</u>	<u>(62,495)</u>
General Revenues:			
Property Taxes	10,817,639	13,656,023	(2,838,384)
Payments in Lieu of Taxes	43,009	36,368	6,641
Grants and Entitlements	6,273,657	6,394,806	(121,149)
Interest and Miscellaneous	1,079,307	1,031,464	47,843
Total General Revenues	<u>18,213,612</u>	<u>21,118,661</u>	<u>(2,905,049)</u>
Total Revenues	<u>27,292,008</u>	<u>30,259,552</u>	<u>(2,967,544)</u>
Program Expenses			
Instruction:			
Regular	2,920,685	2,136,385	784,300
Vocational	8,903,402	7,083,145	1,820,257
Adult/Continuing	2,786,707	2,560,791	225,916
Support Services:			
Pupils	1,292,361	1,163,241	129,120
Instructional Staff	1,326,045	1,142,931	183,114
Board of Education	67,879	65,975	1,904
Administration	1,878,827	1,480,672	398,155
Fiscal	1,031,986	959,938	72,048
Business	290,285	282,926	7,359
Operation and Maintenance of Plant	1,991,723	2,137,988	(146,265)
Pupil Transportation	116,382	167,371	(50,989)
Central	291,923	262,013	29,910
Operation of Non-Instructional Services	721,228	570,473	150,755
Extracurricular Activities	150,751	175,889	(25,138)
Interest	132,453	121,477	10,976
Total Expenses	<u>23,902,637</u>	<u>20,311,215</u>	<u>3,591,422</u>
Change in Net Position	<u>3,389,371</u>	<u>9,948,337</u>	<u>(6,558,966)</u>
Net Position Beginning of Year	<u>76,349,916</u>	<u>66,401,579</u>	<u>9,948,337</u>
Net Position End of Year	<u>\$79,739,287</u>	<u>\$76,349,916</u>	<u>\$3,389,371</u>

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As indicated in Table 2, the largest revenue fluctuation is evident in property taxes, a decrease of \$2,838,384. Despite the increase in property taxes receivable, amounts available as an advance and delinquent property taxes that are recognized as revenue, have decreased from the prior fiscal year. Charges for services program revenue decreased by 17 percent. The adult education program had to cancel classes during fiscal year 2020 in response to the COVID pandemic which had an impact on tuition and fees earned.

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 40 percent of revenues for governmental activities in fiscal year 2020. The remaining 60 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 61 percent of total governmental program expenses. Of the instructional expenses, approximately 61 percent is for vocational instruction, 20 percent is for regular instruction, and 19 percent is for adult/continuing 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 are minimal changes from the prior fiscal year 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.

Mid-East Career and Technology Centers, Ohio
Management's Discussion and Analysis
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Unaudited

Table 3 - Governmental Activities

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Instructional Services:				
Regular	\$2,920,685	\$2,920,685	\$2,136,385	\$2,136,385
Vocational	8,903,402	4,473,977	7,083,145	2,964,939
Adult/Continuing	2,786,707	57,523	2,560,791	(688,649)
Support Services:				
Pupils	1,292,361	971,403	1,163,241	1,008,359
Instructional Staff	1,326,045	727,443	1,142,931	429,855
Board of Education	67,879	67,879	65,975	65,975
Administration	1,878,827	1,878,827	1,480,672	1,480,672
Fiscal	1,031,986	868,499	959,938	705,370
Business	290,285	290,285	282,926	282,926
Operation and Maintenance of Plant	1,991,723	1,852,576	2,137,988	2,121,189
Pupil Transportation	116,382	116,382	167,371	167,371
Central	291,923	291,923	262,013	262,013
Operation of Non-Instructional Services	721,228	101,530	570,473	30,329
Extracurricular Activities	150,751	72,856	175,889	82,113
Interest	132,453	132,453	121,477	121,477
Total Expenses	<u>\$23,902,637</u>	<u>\$14,824,241</u>	<u>\$20,311,215</u>	<u>\$11,170,324</u>

The dependence upon tax revenues and State subsidies is apparent. Approximately 62 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 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 \$28,704,917, expenditures in the amount of \$24,855,187, and an overall increase in fund balance in the amount of \$15,944,730, after other financing sources and use.

The General Fund's net change in fund balance after other financing use for the year was one of the largest of all funds with an increase in the amount of \$3,812,547. 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 increased by less than one percent from the prior fiscal year, along with increases in most revenue classifications, added to a substantial ending fund balance that is more than one and one-half times the amount of current fiscal year expenditures. Sound fiscal and administrative judgment has helped the Center meet their goal not to deficit spend.

The Adult Education Special Revenue Fund adds to its carryover fund balance with a net change of \$319,089. 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.

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For the Fiscal Year Ended June 30, 2020
Unaudited

The Permanent Improvement Levy Capital Projects Fund had a decrease in fund balance in the amount of \$1,668,172. During fiscal year 2020, this fund had transfers out necessary to meet debt service requirements and also to fund the Classroom Facilities Maintenance Special Revenue Fund. Voters have approved a permanent improvement levy sufficient enough to account for the capital needs of the Center. This levy was renewed with a reduction in millage during fiscal year 2020. The current millage, along with the compounded fund balance, will become important to the Center as capital needs arise in maintaining the recently constructed facilities at their current level.

The 2020 Construction Capital Projects Fund was newly established during fiscal year. The investment balance, representing the fair value of unspent lease proceeds, is the reason for this fund's major status. Current year capital outlay expenditures and issuance costs are minimal as this project is in the early stages.

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 2020, the Center did not amend its General Fund revenue budget as the original budget provided adequate resources to cover the final budgeted expenditures. Budgeted expenditures increased in regular instruction from the original amounts by \$426,000 as more expenditures in core academic classes became necessary.

For the General Fund, actual revenues exceeded final budgeted amounts by \$1,214,537, largely the result of conservative estimates associated with property tax revenues. In addition, final budgeted expenditures exceeded actual results in the amount of \$1,269,980 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 \$23,124,708, which was \$2,596,453 above the final budgeted amount of \$20,528,255.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the Center had \$50,062,786 invested in land, construction in progress, buildings and improvements, vehicles, and machinery, equipment, furniture and fixtures. Table 4 shows fiscal year 2020 balances compared to 2019.

Mid-East Career and Technology Centers, Ohio
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2020
 Unaudited

Table 4
 Capital Assets at June 30

	Governmental Activities	
	2020	2019
Land	\$585,623	\$585,623
Construction in Progress	466,158	0
Buildings and Improvements	46,755,999	47,779,689
Vehicles	511,493	554,258
Machinery, Equipment, Furniture and Fixtures	1,743,513	1,632,512
Totals	<u>\$50,062,786</u>	<u>\$50,552,082</u>

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

Long-Term Debt

At June 30, 2020, the Center had \$12,103,434 outstanding for capital leases.

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

See Note 17 for more detailed information about the Center's debt.

Economic Factors

During fiscal year 2020, on a modified accrual basis, General Fund revenues exceeded General Fund expenditures by \$4,912,547, but there were other financing uses that reduced this amount to \$3,812,547. 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 Nan Nolder, Treasurer/CFO at Mid-East Career and Technology Centers, 400 Richards Rd., Zanesville, Ohio 43701, or e-mail at nnolder@mideastctc.org.

Mid-East Career and Technology Centers, Ohio
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$46,269,790
Cash and Cash Equivalents in Segregated Accounts	1,210,784
Investments	11,730,552
Accounts Receivable	289,646
Inventory Held for Resale	14,693
Materials and Supplies Inventory	61,249
Prepaid Items	176,107
Accrued Interest Receivable	88,357
Property Taxes Receivable	12,571,685
Payments in Lieu of Taxes Receivable	23,688
Intergovernmental Receivable	561,568
Net OPEB Asset	1,176,300
Nondepreciable Capital Assets	1,051,781
Depreciable Capital Assets, Net	49,011,005
Total Assets	124,237,205
Deferred Outflows of Resources	
Pension	3,893,171
OPEB	351,626
Total Deferred Outflows of Resources	4,244,797
Liabilities	
Matured Compensated Absences Payable	60,466
Accounts Payable	122,825
Contracts Payable	115,878
Retainage Payable	5,378
Accrued Wages and Benefits Payable	1,467,978
Intergovernmental Payable	247,592
Accrued Interest Payable	19,389
Vacation Benefits Payable	218,874
Unearned Revenue	181,207
Long-Term Liabilities:	
Due Within One Year	1,287,054
Due in More Than One Year:	
Net Pension Liability	20,385,337
Net OPEB Liability	1,909,072
Other Amounts	11,783,148
Total Liabilities	37,804,198
Deferred Inflows of Resources	
Property Taxes	7,948,225
Payments in Lieu of Taxes	23,688
Pension	950,656
OPEB	2,015,948
Total Deferred Inflows of Resources	10,938,517
Net Position	
Net Investment in Capital Assets	49,533,179
Restricted for:	
Capital Projects	6,353,930
Set Asides	45,566
Adult Education	2,994,115
District Managed Activities	69,062
Classroom Facilities Maintenance	5,770,768
State Grant Programs	78,761
Food Service Operations	39,408
Unclaimed Monies	3,974
Federal Grant Programs	22,798
Unrestricted	14,827,726
Total Net Position	\$79,739,287

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, 2020

	Expenses	Program Revenues			Net Expense and Change in Net Position
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$2,920,685	\$0	\$0	\$0	(\$2,920,685)
Vocational	8,903,402	427,726	3,662,851	338,848	(4,473,977)
Adult/Continuing	2,786,707	1,016,737	1,712,447	0	(57,523)
Support Services:					
Pupils	1,292,361	0	320,958	0	(971,403)
Instructional Staff	1,326,045	183,295	415,307	0	(727,443)
Board of Education	67,879	0	0	0	(67,879)
Administration	1,878,827	0	0	0	(1,878,827)
Fiscal	1,031,986	40,004	64,877	58,606	(868,499)
Business	290,285	0	0	0	(290,285)
Operation and Maintenance of Plant	1,991,723	25,116	112,593	1,438	(1,852,576)
Pupil Transportation	116,382	0	0	0	(116,382)
Central	291,923	0	0	0	(291,923)
Operation of Non-Instructional Services:					
Food Service Operations	540,772	213,546	240,174	0	(87,052)
Other Non-Instructional Services	180,456	62,521	103,457	0	(14,478)
Extracurricular Activities	150,751	77,067	828	0	(72,856)
Interest	132,453	0	0	0	(132,453)
Total Governmental Activities	<u>\$23,902,637</u>	<u>\$2,046,012</u>	<u>\$6,633,492</u>	<u>\$398,892</u>	<u>(14,824,241)</u>

General Revenues

Property Taxes Levied for General Purposes	9,650,173
Property Taxes Levied for Capital Outlay	1,167,466
Payments in Lieu of Taxes	43,009
Grants and Entitlements not Restricted to Specific Programs	6,273,657
Interest	1,005,729
Miscellaneous	73,578
Total General Revenues	<u>18,213,612</u>
Change in Net Position	3,389,371
Net Position Beginning of Year	<u>76,349,916</u>
Net Position End of Year	<u>\$79,739,287</u>

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio

Balance Sheet
Governmental Funds
June 30, 2020

	General	Adult Education	Permanent Improvement Levy	2020 Construction	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$24,301,717	\$2,913,691	\$4,019,977	\$0	\$14,979,487	\$46,214,872
Cash and Cash Equivalents in Segregated Accounts	0	202,563	0	0	1,008,221	1,210,784
Investments	0	0	0	11,730,552	0	11,730,552
Inventory Held for Resale	0	0	0	0	14,693	14,693
Materials and Supplies Inventory	56,758	0	0	0	4,491	61,249
Accounts Receivable	35,036	254,295	0	0	315	289,646
Intergovernmental Receivable	1,103	1,150	0	0	559,315	561,568
Accrued Interest Receivable	61,311	5,522	7,634	0	13,890	88,357
Interfund Receivable	75,700	0	0	0	0	75,700
Prepaid Items	127,734	37,269	0	0	11,104	176,107
Restricted Asset - Equity in Pooled Cash and Cash Equivalents	49,540	0	5,122	0	256	54,918
Payments In Lieu of Taxes Receivable	16,479	0	7,209	0	0	23,688
Property Taxes Receivable	10,728,743	0	1,842,942	0	0	12,571,685
Total Assets	\$35,454,121	\$3,414,490	\$5,882,884	\$11,730,552	\$16,591,772	\$73,073,819
Liabilities						
Accounts Payable	\$56,783	\$39,819	\$0	\$0	\$26,223	\$122,825
Accrued Wages and Benefits Payable	1,263,847	107,501	0	0	96,630	1,467,978
Intergovernmental Payable	204,990	22,873	0	0	19,729	247,592
Matured Compensated Absences Payable	60,466	0	0	0	0	60,466
Interfund Payable	0	0	0	0	75,700	75,700
Contracts Payable	0	0	0	78,855	37,023	115,878
Retainage Payable	0	0	5,122	0	256	5,378
Unearned Revenue	0	181,207	0	0	0	181,207
Total Liabilities	1,586,086	351,400	5,122	78,855	255,561	2,277,024
Deferred Inflows of Resources						
Property Taxes	6,665,851	0	1,282,374	0	0	7,948,225
Payment in Lieu of Taxes	16,479	0	7,209	0	0	23,688
Unavailable Revenue	837,700	202,589	125,576	0	400,988	1,566,853
Total Deferred Inflows of Resources	7,520,030	202,589	1,415,159	0	400,988	9,538,766
Fund Balances						
Nonspendable:						
Inventories	56,758	0	0	0	4,491	61,249
Prepaid Items	127,734	37,269	0	0	11,104	176,107
Unclaimed Monies	3,974	0	0	0	0	3,974
Restricted for:						
Capital Projects	0	0	4,462,603	11,651,697	1,312,210	17,426,510
Set Asides	45,566	0	0	0	0	45,566
Food Service Operations	0	0	0	0	48,331	48,331
Adult Education	0	2,823,232	0	0	0	2,823,232
District Managed Activities	0	0	0	0	68,655	68,655
Classroom Facilities Maintenance	0	0	0	0	5,769,825	5,769,825
State Grant Programs	0	0	0	0	77,181	77,181
Committed to:						
Unpaid Obligations	8,316	0	0	0	0	8,316
Capital Improvements	0	0	0	0	8,588,918	8,588,918
Budget Stabilization	128,102	0	0	0	0	128,102
Severance Payments	747,708	0	0	0	0	747,708
Scholarships	0	0	0	0	71,158	71,158
Assigned to:						
Purchases on Order	49,408	0	0	0	0	49,408
Other Purposes	35,973	0	0	0	0	35,973
Unassigned (Deficit)	25,144,466	0	0	0	(16,650)	25,127,816
Total Fund Balances	26,348,005	2,860,501	4,462,603	11,651,697	15,935,223	61,258,029
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$35,454,121	\$3,414,490	\$5,882,884	\$11,730,552	\$16,591,772	\$73,073,819

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, 2020

Total Governmental Fund Balances			\$61,258,029
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.			50,062,786
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:			
	Delinquent Property Taxes	917,715	
	Intergovernmental Revenues	395,910	
	Interest Revenue	34,623	
	Tuition and Fees	<u>218,605</u>	1,566,853
Vacation benefits payable include amounts not expected to be paid with expendable available financial resources and therefore not reported in the funds.			(218,874)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			(19,389)
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	1,176,300	
	Deferred Outflows - Pension	3,893,171	
	Deferred Inflows - Pension	(950,656)	
	Net Pension Liability	(20,385,337)	
	Net OPEB Liability	(1,909,072)	
	Deferred Outflows - OPEB	351,626	
	Deferred Inflows - OPEB	<u>(2,015,948)</u>	(19,839,916)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
	Capital Leases Payable	(12,103,434)	
	Compensated Absences	<u>(966,768)</u>	<u>(13,070,202)</u>
Net Position of Governmental Activities			<u><u>\$79,739,287</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, 2020

	General	Adult Education	Permanent Improvement Levy	2020 Construction	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$9,843,665	\$0	\$1,635,158	\$0	\$0	\$11,478,823
Payments in Lieu of Taxes	40,880	0	2,129	0	0	43,009
Intergovernmental	9,114,644	2,048,354	289,752	0	2,102,376	13,555,126
Interest	803,659	74,813	112,256	35,469	188,241	1,214,438
Tuition and Fees	362,679	1,557,839	0	0	0	1,920,518
Rent	745	0	0	0	0	745
Extracurricular Activities	0	0	0	0	77,067	77,067
Charges for Services	93,450	0	0	0	213,546	306,996
Gifts and Donations	16,978	0	0	0	0	16,978
Miscellaneous	90,627	275	0	0	315	91,217
Total Revenues	<u>20,367,327</u>	<u>3,681,281</u>	<u>2,039,295</u>	<u>35,469</u>	<u>2,581,545</u>	<u>28,704,917</u>
Expenditures						
Current:						
Instruction:						
Regular	2,631,206	0	0	0	0	2,631,206
Vocational	6,889,708	0	398,157	0	795,559	8,083,424
Adult/Continuing	9,044	2,554,882	0	0	95,265	2,659,191
Support Services:						
Pupils	879,266	0	0	0	317,366	1,196,632
Instructional Staff	669,928	482,095	0	0	113,689	1,265,712
Board of Education	63,362	0	0	0	0	63,362
Administration	1,628,734	0	0	0	0	1,628,734
Fiscal	803,439	102,578	68,864	0	0	974,881
Business	235,162	0	0	0	0	235,162
Operation and Maintenance of Plant	1,214,348	62,771	1,691	0	617,573	1,896,383
Pupil Transportation	69,714	0	0	0	0	69,714
Central	247,664	0	0	0	0	247,664
Operation of Non-Instructional Services:						
Food Service Operations	109	0	0	0	485,688	485,797
Other Non-Instructional Services	18,978	159,866	0	0	1,612	180,456
Extracurricular Activities	84,054	0	0	0	54,831	138,885
Capital Outlay	0	0	5,122	386,239	37,279	428,640
Debt Service:						
Principal Retirement	8,796	0	0	0	2,420,000	2,428,796
Interest and Fiscal Charges	1,268	0	86,247	0	60,500	148,015
Issuance Costs	0	0	0	92,533	0	92,533
Total Expenditures	<u>15,454,780</u>	<u>3,362,192</u>	<u>560,081</u>	<u>478,772</u>	<u>4,999,362</u>	<u>24,855,187</u>
Excess of Revenues Over (Under) Expenditures	<u>4,912,547</u>	<u>319,089</u>	<u>1,479,214</u>	<u>(443,303)</u>	<u>(2,417,817)</u>	<u>3,849,730</u>
Other Financing Sources (Use)						
Transfers In	0	0	0	0	4,247,386	4,247,386
Issuance of a Capital Lease	0	0	0	12,095,000	0	12,095,000
Transfers Out	(1,100,000)	0	(3,147,386)	0	0	(4,247,386)
Total Other Financing Sources (Use)	<u>(1,100,000)</u>	<u>0</u>	<u>(3,147,386)</u>	<u>12,095,000</u>	<u>4,247,386</u>	<u>12,095,000</u>
Net Change in Fund Balances	3,812,547	319,089	(1,668,172)	11,651,697	1,829,569	15,944,730
Fund Balances Beginning of Year	22,535,458	2,541,412	6,130,775	0	14,105,654	45,313,299
Fund Balances End of Year	<u>\$26,348,005</u>	<u>\$2,860,501</u>	<u>\$4,462,603</u>	<u>\$11,651,697</u>	<u>\$15,935,223</u>	<u>\$61,258,029</u>

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, 2020

Net Change in Fund Balances - Total Governmental Funds \$15,944,730

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	882,649	
Current Year Depreciation	<u>(1,346,965)</u>	(464,316)

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.

(24,980)

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

Delinquent Property Taxes	(661,184)	
Intergovernmental Revenues	(452,847)	
Interest Revenue	(21,925)	
Tuition and Fees Revenues	(258,579)	
Rent Revenue	(735)	
Miscellaneous Revenues	<u>(17,639)</u>	(1,412,909)

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	8,796	
Certificates of Participation	<u>2,420,000</u>	2,428,796

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	(9,642)	
Amortization of Premiums	<u>25,204</u>	15,562

Long-term debt proceeds are other financing sources in the governmental funds, but the issuance of a capital lease increases the long-term liability on the statement of net position.

(12,095,000)

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

Pension	1,579,552	
OPEB	<u>16,011</u>	1,595,563

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

Pension	(2,852,355)	
OPEB	<u>294,154</u>	(2,558,201)

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	(760)	
Vacation Benefits	<u>(39,114)</u>	(39,874)

Change in Net Position of Governmental Activities \$3,389,371

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, 2020

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$8,350,000	\$8,350,000	\$9,450,594	\$1,100,594
Payments in Lieu of Taxes	25,000	25,000	40,880	15,880
Intergovernmental	9,169,000	9,169,000	9,112,060	(56,940)
Interest	400,000	400,000	560,621	160,621
Tuition and Fees	308,100	308,100	363,383	55,283
Rentals	1,000	1,000	745	(255)
Gifts and Donations	0	0	16,978	16,978
Charges for Services	146,000	146,000	93,450	(52,550)
Miscellaneous	106,106	106,106	81,032	(25,074)
Total Revenues	18,505,206	18,505,206	19,719,743	1,214,537
Expenditures				
Current:				
Instruction:				
Regular	2,073,041	2,499,041	2,596,951	(97,910)
Vocational	7,584,640	7,584,640	6,985,367	599,273
Adult/Continuing	27,632	27,632	8,962	18,670
Support Services:				
Pupils	1,065,148	1,065,148	876,055	189,093
Instructional Staff	820,167	820,167	734,328	85,839
Board of Education	106,032	106,032	70,407	35,625
Administration	1,702,600	1,702,600	1,667,890	34,710
Fiscal	787,072	787,072	793,584	(6,512)
Business	298,826	298,826	250,557	48,269
Operation and Maintenance of Plant	1,546,588	1,546,588	1,259,780	286,808
Pupil Transportation	118,138	118,138	82,376	35,762
Central	267,730	267,730	258,540	9,190
Operation of Non-Instructional/Shared Services	21,375	21,375	18,978	2,397
Extracurricular Activities	121,585	121,585	92,819	28,766
Debt Service:				
Principal Retirement	8,796	8,796	8,796	0
Interest and Fiscal Charges	1,268	1,268	1,268	0
Total Expenditures	16,550,638	16,976,638	15,706,658	1,269,980
Excess of Revenues Over Expenditures	1,954,568	1,528,568	4,013,085	2,484,517
Other Financing Source (Uses)				
Advances In	0	0	20,000	20,000
Transfers Out	(1,475,102)	(1,475,102)	(1,400,000)	75,102
Other Financing Uses	(16,834)	(16,834)	0	16,834
Total Other Financing Source (Uses)	(1,491,936)	(1,491,936)	(1,380,000)	111,936
Net Change in Fund Balance	462,632	36,632	2,633,085	2,596,453
Fund Balance Beginning of Year	20,249,149	20,249,149	20,249,149	0
Prior Year Encumbrances Appropriated	242,474	242,474	242,474	0
Fund Balance End of Year	\$20,954,255	\$20,528,255	\$23,124,708	\$2,596,453

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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$2,523,374	\$3,023,374	\$2,229,561	(\$793,813)
Interest	0	0	53,247	53,247
Tuition and Fees	1,587,767	1,614,813	1,525,134	(89,679)
Miscellaneous	0	0	275	275
Total Revenues	<u>4,111,141</u>	<u>4,638,187</u>	<u>3,808,217</u>	<u>(829,970)</u>
Expenditures				
Current:				
Instruction:				
Adult/Continuing	3,331,386	3,353,216	2,566,169	787,047
Support Services:				
Instructional Staff	566,830	566,830	507,433	59,397
Fiscal	107,427	107,427	102,554	4,873
Operation and Maintenance of Plant	0	0	62,912	(62,912)
Operation of Non-Instructional/Shared Services	0	500,000	159,866	340,134
Total Expenditures	<u>4,005,643</u>	<u>4,527,473</u>	<u>3,398,934</u>	<u>1,128,539</u>
Net Change in Fund Balance	105,498	110,714	409,283	298,569
Fund Balance Beginning of Year	2,567,557	2,567,557	2,567,557	0
Prior Year Encumbrances Appropriated	38,176	38,176	38,176	0
Fund Balance End of Year	<u>\$2,711,231</u>	<u>\$2,716,447</u>	<u>\$3,015,016</u>	<u>\$298,569</u>

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, 2020

Assets	
Equity in Pooled Cash and Cash Equivalents	\$81,654
Investments in Segregated Accounts	<u>1,030,320</u>
Total Assets	<u><u>\$1,111,974</u></u>
Net Position	
Restricted for Individuals	<u><u>\$1,111,974</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, 2020

Additions	
Interest	\$43,564
Deductions	
Payments for Scholarships to Individuals	<u>58,071</u>
Change in Net Position	(14,507)
Net Position Beginning of Year	<u>1,126,481</u>
Net Position End of Year	<u><u>\$1,111,974</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, 2020

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 eighty classified employees and one hundred and twenty-six certified teaching personnel who provide services to one thousand and eight 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 Crooksville Exempted Village School District, Noble Local School District, Northern Local School District, Rolling Hills Local School District, Tri-Valley Local School District, and Zanesville City 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."

The 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, 2020

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, 2020

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 intergovernmental, interest, and tuition and fees revenues that are restricted to be used in connection with adult education classes.

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.

2020 Construction Capital Projects Fund The 2020 Construction Capital Projects Fund accounts for the proceeds of a lease-purchase agreement restricted for constructing, enlarging, improving, furnishing, and equipping certain project 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 Funds 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 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, 2020

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, 2020

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. Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For 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, payments in lieu of taxes, pension, OPEB, and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 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, intergovernmental grants, accrued interest, and tuition and fees. 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 for a portion of the private purpose trust fund 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 2020, the Center's investments were limited to United States Treasury bills and notes, federal agency securities, mutual funds, negotiable certificates of deposit, and STAR Ohio. Investments in United States Treasury bills and notes, federal agency securities, and negotiable certificates of deposit are stated at fair value. Investments in mutual funds 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".

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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.

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 \$100 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, Student Activities, 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 2020 amounted to \$803,659, which includes \$457,334 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, 2020, 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 expended/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, 2020

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:

Description	Governmental Activities Estimated Lives
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, 2020

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

On the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds are issued. The face amount of the debt and the premium received on the debt issuance are reported as other financing sources.

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, 2020

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.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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.

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

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Center evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For fiscal year 2020, the Center implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1 and 2019-2, Fiduciary Activities*. These changes were incorporated in the Center's 2020 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability

At June 30, 2020, Vocational Education Federal Grant Special Revenue Fund had a deficit fund balance of \$11,667. This deficit is the result of over-expended grant resources and the recognition of accrued liabilities 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).

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Notes to the Basic Financial Statements
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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:

	Net Change in Fund Balance	
	General	Adult Education
GAAP Basis	\$3,812,547	\$319,089
Net Adjustment for Revenue Accruals	(330,417)	148,274
Unrecorded Cash - Prior Year	41	4
Unrecorded Cash - Current Year	(73,403)	(54)
Change in Market Value of Investments - Prior Year	23,912	2,291
Change in Market Value of Investments - Current Year	(261,779)	(23,579)
Prepaid Items - Prior Year	132,651	33,259
Prepaid Items - Current Year	(127,734)	(37,269)
Net Adjustment for Expenditure Accruals	(140,563)	44,873
Advances In	20,000	0
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types	(300,545)	0
Encumbrances	(121,625)	(77,605)
Budget Basis	\$2,633,085	\$409,283

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.

Mid-East Career and Technology Centers, Ohio
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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;
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. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
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Investments: As of June 30, 2020, 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	\$1,030,320		N/A	4.66%
Fair Value - Level 2 Inputs				
Federal Home Loan Mortgage Corporation Notes	3,728,841	01/13/2022-06/30/2025	AA+/Aaa	16.86%
Federal National Mortgage Association Notes	1,555,484	11/30/2020-10/15/2024	AA+/Aaa	7.03%
Federal Home Loan Bank Bonds	2,808,498	01/29/2021-09/24/2024	AA+/Aaa	12.70%
Federal Farm Credit Bank Notes	4,798,364	03/11/2021-09/03/2024	AA+/Aaa	21.69%
Negotiable Certificates of Deposit	7,042,021	11/24/2020-04/17/2025	N/A	31.84%
US Treasury Bills/Notes	1,154,339	01/31/2021-05/31/2021	AA+/Aaa	5.22%
Net Value Per Share				
STAR Ohio	147,767	Average 41.5 days	AAAm	N/A
Total	<u>\$22,265,634</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, 2020. The Open End Mutual Fund is measured at fair value and is 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.

Mid-East Career and Technology Centers, Ohio
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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 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, 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 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019, and are collected in 2020 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, 2020, are available to finance fiscal year 2020 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, 2020, 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, 2020, was \$3,267,762 in the General Fund and \$437,983 in the Permanent Improvement Levy Capital Projects Fund. The amount available as an advance at June 30, 2019, was \$2,874,691 in the General Fund and \$1,659,641 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.

Mid-East Career and Technology Centers, Ohio
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The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second- Half Collections		2020 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$3,270,739,103	79.07%	\$3,344,810,618	73.29%
Public Utility Personal	865,718,480	20.93%	1,218,744,820	26.71%
Total	<u>\$4,136,457,583</u>	<u>100.00%</u>	<u>\$4,563,555,438</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$4.60		\$3.55	

The reduction in tax rate is due to the replacement with a decrease of an existing permanent improvement levy approved by voters in the November 2019 election.

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 2020 Taxes Abated
Rolling Hills Local School District	\$38,120
Cambridge City School District	3,624
Zanesville City School District	379
Tri-Valley Local School District	28,528
East Muskingum Local School District	2,829
West Muskingum Local School District	2,559
	<u>\$76,039</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 Payments in Lieu of Taxes in the financial statements.

Note 9 - Receivables

Receivables at June 30, 2020, consisted of property taxes, payments 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 \$917,715 may not be collected within one year. The portion of the State Classroom Facilities grant totaling \$375,671 that will be paid to the Center through the Ohio School Facilities Commission for future construction and/or final reconciliation of the program, may not be collected within one year.

Mid-East Career and Technology Centers, Ohio
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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 maintained a fund into which a set amount of proceeds from a levy was 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 2020, the Center had received \$25,570,655 of the monies awarded under this program. The remaining amount of \$375,671 is recorded as a receivable and unavailable revenue on the balance sheet.

A summary of principal items of intergovernmental receivables follows:

	Amounts
ABLE Grant	\$43,532
Carl D. Perkins Secondary Grant	80,856
Carl D. Perkins Adult Grant	56,756
Adult Education Reimbursements	1,150
Ohio School Facilities Grant	375,671
OMEGA CDL Grant	2,500
Foundation Adjustments	365
Miscellaneous Intergovernmental Receivables	738
Total	\$561,568

During fiscal year 2020, the Center received payments in lieu of taxes from Haliburton Energy Services, Incorporated, Fyda Freightliner, Incorporated, and Store It, LLC. (See Note 8). These companies remit these payments to the county treasurer where they are distributed to the taxing subdivisions levying taxes in the subdivisions in which the property is located. As of June 30, 2020, a receivable has been recorded in the amount of \$23,688 which represents the anticipated payment for fiscal year 2021.

Note 10 - Interfund Balances

At June 30, 2020, the General Fund reflects an interfund receivable in the amount of \$75,700 which is due from Vocational Education Federal Grant and Miscellaneous Federal Grants Special Revenue Funds in the amounts of \$60,800 and \$14,900, respectively, on the governmental fund balance sheet. These transactions are the result interfund loans used to provide cash flow resources until the receipt of grant monies.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Nondepreciable Capital Assets				
Land	\$585,623	\$0	\$0	\$585,623
Construction in Progress	0	466,158	0	466,158
Total Nondepreciable Capital Assets	<u>585,623</u>	<u>466,158</u>	<u>0</u>	<u>1,051,781</u>
Depreciable Capital Assets				
Buildings and Improvements	59,534,947	22,132	(18,980)	59,538,099
Vehicles	1,250,002	48,793	0	1,298,795
Machinery, Equipment, Furniture and Fixtures	3,717,476	345,566	(150,211)	3,912,831
Total Depreciable Capital Assets	<u>64,502,425</u>	<u>416,491</u>	<u>(169,191)</u>	<u>64,749,725</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(11,755,258)	(1,027,222)	380	(12,782,100)
Vehicles	(695,744)	(91,558)	0	(787,302)
Machinery, Equipment, Furniture and Fixtures	(2,084,964)	(228,185)	143,831	(2,169,318)
Total Accumulated Depreciation	<u>(14,535,966)</u>	<u>(1,346,965)*</u>	<u>144,211</u>	<u>(15,738,720)</u>
Total Depreciable Capital Assets, Net	<u>49,966,459</u>	<u>(930,474)</u>	<u>(24,980)</u>	<u>49,011,005</u>
Governmental Activities Capital Assets, Net	<u>\$50,552,082</u>	<u>(\$464,316)</u>	<u>(\$24,980)</u>	<u>\$50,062,786</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$166,921
Vocational	579,356
Adult/Continuing	129,128
Support Services:	
Pupils	65,159
Instructional Staff	66,730
Board of Education	2,381
Administration	112,224
Fiscal	30,217
Business	17,253
Operation and Maintenance of Plant	88,137
Pupil Transportation	40,161
Central	16,185
Non-Instructional Services - Food Service Operations	26,036
Extracurricular Activities	7,077
Total Governmental Depreciation	<u>\$1,346,965</u>

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 12 - Interfund Transfers

Interfund transfers for the year ended June 30, 2020, consisted of the following:

Transfer From	Transfer To Other Governmental Funds
Major Fund:	
General Fund	\$1,100,000
Permanent Improvement Levy	3,147,386
Total	\$4,247,386

The Center transferred \$100,000 from the General Fund to the Food Service Special Revenue Fund in order to maintain a working balance in this fund. In addition, \$1,000,000 was transferred from the General Fund to the Capital Improvement Capital Projects Fund to accumulate a fund balance to be able to meet future capital improvement needs.

The Permanent Improvement Levy Capital Projects Fund transferred \$666,886 to the Classroom Facilities Maintenance Special Revenue Fund to meet the half-mill maintenance requirement. In addition, \$2,480,500 was transferred from the Permanent Improvement Levy Capital Projects Fund to the Debt Service Fund to meet current year debt service payments.

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 2020, the Center contracted with Utica National Insurance Group, through The Young Insurance Agency. Coverage is as follows:

Commercial Property	\$63,867,548	\$5,000 deductible
Commercial General Liability:		
Per Occurrence	1,000,000	1,000 deductible
Aggregate Per Year	3,000,000	1,000 deductible
Commercial Crime Per Occurrence	100,000	500 deductible
Commercial Inland Marine		
Miscellaneous Floater Coverage	5,000-100,000	500 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.

Mid-East Career and Technology Centers, Ohio
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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 2020, 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 \$2,023.09 for family coverage and \$808.30 for single coverage. The employees are responsible to pay \$303.47 for family coverage and \$121.25 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).

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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.

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, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Mid-East Career and Technology Centers, Ohio
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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.

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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contributions to the Health Care Fund.

The Center's contractually required contribution to SERS was \$390,449 for fiscal year 2020. Of this amount, \$29,345 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.

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.

Mid-East Career and Technology Centers, Ohio
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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 1, 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. 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.

Eligibility changes for the DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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. The member determines how to allocate the member and employer money among various investment choices offered by STRS. 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.

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

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. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

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The Center's contractually required contribution to STRS was \$1,189,103 for fiscal year 2020. Of this amount, \$150,137 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.07871750%	0.06994137%	
Current Measurement Date	0.07820550%	0.07102235%	
Change in Proportionate Share	<u>-0.00051200%</u>	<u>0.00108098%</u>	
			Total
Proportionate Share of the Net Pension Liability	\$4,679,172	\$15,706,165	\$20,385,337
Pension Expense	\$750,712	\$2,101,643	\$2,852,355

At June 30, 2020, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$118,653	\$127,874	\$246,527
Changes of assumptions	0	1,844,993	1,844,993
Changes in proportion and differences between Center contributions and proportionate share of contributions	40,095	182,004	222,099
Center contributions subsequent to the measurement date	390,449	1,189,103	1,579,552
Total Deferred Outflows of Resources	<u>\$549,197</u>	<u>\$3,343,974</u>	<u>\$3,893,171</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$67,989	\$67,989
Net difference between projected and actual earnings on pension plan investments	60,063	767,632	827,695
Changes in proportion and differences between Center contributions and proportionate share of contributions	15,341	39,631	54,972
Total Deferred Inflows of Resources	<u>\$75,404</u>	<u>\$875,252</u>	<u>\$950,656</u>

\$1,579,552 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, 2021.

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$161,609	\$986,184	\$1,147,793
2022	(108,331)	242,647	134,316
2023	(3,996)	(75,634)	(79,630)
2024	34,062	126,422	160,484
Total	\$83,344	\$1,279,619	\$1,362,963

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, 2019, 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.

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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.

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 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	\$6,557,193	\$4,679,172	\$3,104,217

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Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, 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

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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, 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.

Actuarial assumptions used in the July 1 2019 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:

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

* 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.

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Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. 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, 2019. 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, 2019.

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	\$22,952,812	\$15,706,165	\$9,571,509

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, 2020, there are seven 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 under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation 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 2020, this amount was \$19,600. 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 2020, the Center's surcharge obligation was \$16,011.

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 \$16,011 for fiscal year 2020. Of this amount \$16,011 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, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients 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, 2020, STRS did not allocate any employer contributions to post-employment health care.

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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, 2019, 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:

	SERS	STRS	
Proportion of the Net OPEB Liability/Asset			
Prior Measurement Date	0.07749140%	0.06994137%	
Current Measurement Date	0.07591380%	0.07102235%	
Change in Proportionate Share	-0.00157760%	0.00108098%	
Proportionate Share of the:			Total
Net OPEB Liability	\$1,909,072	\$0	\$1,909,072
Net OPEB Asset	\$0	\$1,176,300	\$1,176,300
OPEB Expense	\$62,686	(\$356,840)	(\$294,154)

At June 30, 2020, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$28,023	\$106,640	\$134,663
Changes of assumptions	139,436	24,726	164,162
Net difference between projected and actual earnings on pension plan investments	4,582	0	4,582
Changes in proportionate share and difference between Center contributions and proportionate share of contributions	10,275	21,933	32,208
Center contributions subsequent to the measurement date	16,011	0	16,011
Total Deferred Outflows of Resources	\$198,327	\$153,299	\$351,626
Deferred Inflows of Resources			
Differences between expected and actual experience	\$419,410	\$59,845	\$479,255
Changes of assumptions	106,979	1,289,676	1,396,655
Net difference between projected and actual earnings on OPEB plan investments	0	73,880	73,880
Changes in Proportionate Share and difference between Center contributions and proportionate share of contributions	66,158	0	66,158
Total Deferred Inflows of Resources	\$592,547	\$1,423,401	\$2,015,948

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\$16,011 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	(\$111,769)	(\$277,496)	(\$389,265)
2022	(68,807)	(277,497)	(346,304)
2023	(67,462)	(247,887)	(315,349)
2024	(67,681)	(237,496)	(305,177)
2025	(64,865)	(234,147)	(299,012)
Thereafter	(29,647)	4,421	(25,226)
Total	(\$410,231)	(\$1,270,102)	(\$1,680,333)

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.

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Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 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, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 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 3.13 percent, as of June 30, 2019 (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 (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage points lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	(2.22%)	(3.22%)	(4.22%)
Center's proportionate share of the net OPEB liability	\$2,317,252	\$1,909,072	\$1,584,522

	1% Decrease	Current Trend Rate	1% Increase
	(6.00 % decreasing to 3.75 %)	(7.00 % decreasing to 4.75 %)	(8.00 % decreasing to 5.75 %)
Center's proportionate share of the net OPEB liability	\$1,529,554	\$1,909,072	\$2,412,602

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, 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	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 percent initial, 4 percent ultimate

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

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

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Actuarial assumptions used in the June 30, 2019, 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, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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, 2019. The projection of cash flows used to determine the discount rate assumes STRS 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 as of June 30, 2019. 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, 2019.

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, 2019, 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.

		Current	
	1% Decrease	Discount Rate	1% Increase
	(6.45%)	(7.45%)	(8.45%)
Center's proportionate share of the net OPEB asset	(\$1,003,738)	(\$1,176,300)	(\$1,321,385)

		Current	
	1% Decrease	Trend Rate	1% Increase
	(\$1,333,871)	(\$1,176,300)	(\$983,315)
Center's proportionate share of the net OPEB asset	(\$1,333,871)	(\$1,176,300)	(\$983,315)

Note 17 - Capital Leases

In prior years, the Center entered into capitalized lease agreements for copiers and a postage machine. 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 are reflected as debt service expenditures in the basic financial statements for the General Fund. Principal payments in fiscal year 2020 totaled \$8,796.

During fiscal year 2020, the Center (Lessee) entered into a lease-purchase agreement with JP Morgan Chase Bank (Lessor) for the purpose of constructing, enlarging, improving, furnishing, and equipping certain project facilities. The Center will convey to the Lessor a base leasehold interest in the real property and existing improvements and, in turn, the Center shall lease the project facilities from the Lessor subject to annual appropriations.

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Proceeds of the lease, in the amount of \$12,095,000, are reflected in the basic financial statements in the 2020 Construction Capital Projects Fund. The lease will be repaid from the Permanent Improvement Levy Capital Projects Fund from levy proceeds. There were no principal payments made during fiscal year 2020. The amount of the unspent lease proceeds in the amount of \$11,695,083, less contracts payable of \$78,855, are presented in the financial statements at their fair value of \$11,730,552.

Leased equipment 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, 2020 was \$41,794, and the book value was \$50,192. Leased project facilities are still in the construction phase and are capitalized as construction in progress in the amount of \$466,158.

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, 2020:

Fiscal Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$1,138,840	\$230,020	\$1,368,860
2022	1,126,987	207,242	1,334,229
2023	1,147,607	184,380	1,331,987
2024	1,169,000	161,300	1,330,300
2025	1,193,000	137,798	1,330,798
2026-2030	6,328,000	319,772	6,647,772
Present Value of Net Minimum Lease Payments	<u>\$12,103,434</u>	<u>\$1,240,512</u>	<u>\$13,343,946</u>

Note 18 - Long-Term Obligations

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

	Principal Outstanding 06/30/19	Additions	Reductions	Principal Outstanding 06/30/20	Amounts Due within One Year
Governmental Activities:					
Capital Leases Payable	\$17,230	\$12,095,000	(\$8,796)	\$12,103,434	\$1,138,840
Direct Placement:					
Certificates of Participation -					
\$11,965,000, Various Interest Rate	2,420,000	0	(2,420,000)	0	0
Premium on Certificates of Participation	25,204	0	(25,204)	0	0
Total Certificates of Participation Liability	<u>2,445,204</u>	<u>0</u>	<u>(2,445,204)</u>	<u>0</u>	<u>0</u>
Net Pension Liability -					
STRS	15,378,536	327,629	0	15,706,165	0
SERS	4,508,297	170,875	0	4,679,172	0
Total Net Pension Liability	<u>19,886,833</u>	<u>498,504</u>	<u>0</u>	<u>20,385,337</u>	<u>0</u>
Net OPEB Liability -					
SERS	2,149,821	0	(240,749)	1,909,072	0
Compensated Absences	966,008	231,715	(230,955)	966,768	148,214
Total Governmental Activities Long-Term Liabilities	<u>\$25,465,096</u>	<u>\$12,825,219</u>	<u>(\$2,925,704)</u>	<u>\$35,364,611</u>	<u>\$1,287,054</u>

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 was amortized over the life of the COPs and issuance costs of \$291,894, which were previously 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 were 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 was required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent included an interest component ranging from 1.65 percent to 5.0 percent. The Center had the option to purchase the Project Facilities on any Lease Payment Date by paying \$100 plus the amount necessary to defease the Indenture. The Center retired the Certificates of Participation during fiscal year 2020.

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 State Grants, 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, 2020, was \$410,711,555, with an unvoted debt margin of \$4,555,121.

Note 19 - Jointly Governed Organizations and Group 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 2020, the amount paid to OMERESA from the Center was \$49,705 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
For the Fiscal Year Ended June 30, 2020

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 2020. 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 90 representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex-officio members. 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 \$544 for fiscal year 2020.

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 Board of Directors shall be the governing body of META. The Board of Directors shall consist of thirteen voting Directors, each a superintendent or business official representing a different Full Member of META. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During fiscal year 2020, 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, 2020

Group 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 \$1,570 for calendar year 2020.

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, 2020, 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 2020 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2020 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, 2020

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 fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal 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, 2019	\$0	\$45,566
Current year offsets	(1,000,000)	0
Current year set-aside requirement	201,842	0
Qualifying disbursements	(311,320)	0
Total	(\$1,109,478)	\$45,566
Set-aside reserve balance as of June 30, 2020	\$0	\$45,566

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:

Governmental Funds	
General Fund	\$121,625
Adult Education Special Revenue Fund	77,605
Permanent Improvement Levy Capital Projects Fund	149,187
2020 Construction Capital Projects Fund	472,966
Other Governmental Funds	173,946
Total All Funds	\$995,329

Mid-East Career and Technology Centers, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Contractual Commitment

As of June 30, 2020, the Center had a contractual purchase commitment relating to a locally funded construction project, payable from the 2020 Construction Capital Projects Fund:

<u>Contractor</u>	<u>Purchase Commitment</u>	<u>Amounts Paid as of 06/30/2020</u>	<u>Amounts Remaining on Contract</u>
V2 Architects	\$749,000	\$354,460	\$394,540

Note 23 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Center. The Center's investment portfolio and the investments of the pension and other employee benefit plan in which the Center participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Center's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Required
Supplementary
Information**

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 Seven Fiscal Years (1) *

	2020	2019	2018	2017
Center's Proportion of the Net Pension Liability	0.07820550%	0.07871750%	0.07883830%	0.07565180%
Center's Proportionate Share of the Net Pension Liability	\$4,679,172	\$4,508,297	\$4,710,414	\$5,537,013
Center's Covered Payroll	\$2,721,274	\$2,628,741	\$2,561,507	\$2,403,836
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	171.95%	171.50%	183.89%	230.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%

(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

2016	2015	2014
0.07701230%	0.07917300%	0.07917300%
\$4,394,397	\$4,006,901	\$4,708,164
\$2,282,214	\$2,478,740	\$2,047,137
192.55%	161.65%	229.99%
69.16%	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 Seven Fiscal Years (1) *

	2020	2019	2018	2017
Center's Proportion of the Net Pension Liability	0.07102235%	0.06994137%	0.69825270%	0.06942418%
Center's Proportionate Share of the Net Pension Liability	\$15,706,165	\$15,378,536	\$16,587,142	\$23,238,367
Center's Covered Payroll	\$8,353,571	\$8,028,050	\$7,737,250	\$7,372,950
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.02%	191.56%	214.38%	315.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%	66.80%

(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

2016	2015	2014
0.07008781%	0.07276065%	0.07276065%
\$19,370,221	\$17,697,908	\$21,081,632
\$7,274,393	\$7,396,029	\$7,710,177
266.28%	239.29%	273.43%
72.10%	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 Four Fiscal Years (1) *

	2020	2019	2018	2017
Center's Proportion of the Net OPEB Liability	0.07591380%	0.07749140%	0.07673520%	0.07413840%
Center's Proportionate Share of the Net OPEB Liability	\$1,909,072	\$2,149,821	\$2,059,371	\$2,113,219
Center's Covered Payroll	\$2,721,274	\$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	70.15%	81.78%	80.40%	87.91%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	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 Four Fiscal Years (1)*

	2020	2019	2018	2017
Center's Proportion of the Net OPEB (Asset) Liability	0.07102235%	0.06994137%	0.06982527%	0.06942418%
Center's Proportionate Share of the Net OPEB (Asset) Liability	(\$1,176,300)	(\$1,123,887)	\$2,724,325	\$3,712,823
Center's Covered Payroll	\$8,353,571	\$8,028,050	\$7,737,250	\$7,372,950
Center's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-14.08%	-14.00%	35.21%	50.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	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

	2020	2019	2018	2017
Net Pension Liability				
Contractually Required Contribution	\$390,449	\$367,372	\$354,880	\$358,611
Contributions in Relation to the Contractually Required Contribution	<u>(390,449)</u>	<u>(367,372)</u>	<u>(354,880)</u>	<u>(358,611)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Center Covered Payroll (1)	\$2,788,921	\$2,721,274	\$2,628,741	\$2,561,507
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$16,011	\$40,110	\$44,494	\$26,709
Contributions in Relation to the Contractually Required Contribution	<u>(16,011)</u>	<u>(40,110)</u>	<u>(44,494)</u>	<u>(26,709)</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>0.57%</u>	<u>1.47%</u>	<u>1.69%</u>	<u>1.04%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.57%</u>	<u>14.97%</u>	<u>15.19%</u>	<u>15.04%</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

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$336,537	\$300,796	\$343,553	\$283,324	\$276,366	\$239,902
<u>(336,537)</u>	<u>(300,796)</u>	<u>(343,553)</u>	<u>(283,324)</u>	<u>(276,366)</u>	<u>(239,902)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,403,836	\$2,282,214	\$2,478,740	\$2,047,137	\$2,054,764	\$1,908,527
<u>14.00%</u>	<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>
\$26,675	\$40,809	\$22,643	\$23,470	\$44,692	\$57,924
<u>(26,675)</u>	<u>(40,809)</u>	<u>(22,643)</u>	<u>(23,470)</u>	<u>(44,692)</u>	<u>(57,924)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.11%</u>	<u>1.79%</u>	<u>0.91%</u>	<u>1.15%</u>	<u>2.18%</u>	<u>3.04%</u>
<u>15.11%</u>	<u>14.97%</u>	<u>14.77%</u>	<u>14.99%</u>	<u>15.63%</u>	<u>15.61%</u>

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

	2020	2019	2018	2017
Net Pension Liability				
Contractually Required Contribution	\$1,189,103	\$1,169,500	\$1,123,927	\$1,083,215
Contributions in Relation to the Contractually Required Contribution	<u>(1,189,103)</u>	<u>(1,169,500)</u>	<u>(1,123,927)</u>	<u>(1,083,215)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Center Covered Payroll (1)	\$8,493,593	\$8,353,571	\$8,028,050	\$7,737,250
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Asset/Liability				
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

2016	2015	2014	2013	2012	2011
\$1,032,213	\$1,018,415	\$961,484	\$1,002,323	\$967,387	\$977,267
(1,032,213)	(1,018,415)	(961,484)	(1,002,323)	(967,387)	(977,267)
\$0	\$0	\$0	\$0	\$0	\$0
\$7,372,950	\$7,274,393	\$7,396,029	\$7,710,177	\$7,441,438	\$7,517,438
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%
\$0	\$0	\$73,960	\$77,102	\$74,414	\$75,174
0	0	(73,960)	(77,102)	(74,414)	(75,174)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	0.00%	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, 2020

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, 2020

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 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
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 2020	3.22 percent
Fiscal year 2019	3.70 percent
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, 2020

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.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	2019/2020	\$34,918
Cash Assistance:			
School Breakfast Program	10.553	2019/2020	41,042
COVID-19 School Breakfast Program	10.553	2020	3,908
National School Lunch Program	10.555	2019/2020	146,651
COVID-19 National School Lunch Program	10.555	2020	11,749
Cash Assistance Subtotal			<u>203,350</u>
Total Child Nutrition Cluster			238,268
Child Care and Adult Care Food Program	10.558	2019/2020	9,283
COVID-19 Child Care and Adult Care Food Program	10.558	2020	839
Total Child Care and Adult Care Food Program			<u>10,122</u>
Total U.S. Department of Agriculture			<u>248,390</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Adult Education - Basic Grants to States	84.002	2019 2020	10,478 <u>84,401</u>
Total Adult Education - Basic Grants to States			94,879
Career and Technical Education - Basic Grants to States	84.048	2019 2020	49,881 <u>562,113</u>
Total Career and Technical Education - Basic Grants to States			611,994
Student Financial Assistance Cluster:			
<i>Direct from United States Department of Education:</i>			
Federal Pell Grant Program	84.063	2019	620,372
Federal Direct Student Loans	84.268	2020	947,063
Total Student Financial Assistance Cluster			<u>1,567,435</u>
COVID-19 Higher Education Emergency Relief Fund	84.425E	2020	159,866
Total U.S. Department of Education			<u>2,434,174</u>
Total Expenditures of Federal Awards			<u><u>\$2,682,564</u></u>

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, 2020**

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, 2020. 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, 2020, 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 14, 2020 wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Center.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Center's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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 14, 2020

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 Mid-East Career and Technology Centers' major federal program for the year ended June 30, 2020. 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 programs.

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Mid-East Career and Technology Centers complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2020.

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 14, 2020

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
June 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

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

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/29/2020

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