MIAMI VALLEY CAREER TECHNOLOGY CENTER
MONTGOMERY COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Dave Yost • Auditor of State

MIAMI VALLEY CAREER TECHNOLOGY CENTER
MONTGOMERY COUNTY
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Miami Valley Career Technology Center
Montgomery County
6800 Hoke Road
Englewood, Ohio 45315

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

Management's Responsibility for the Financial Statements

Management is responsible for 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.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688
www.ohioauditor.gov

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 Miami Valley Career Technology Center, Montgomery County, Ohio, as of June 30, 2018, and the respective changes in financial position 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 17 to the financial statements, during 2018, the Center adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. 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*, *the required budgetary comparison schedule* 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 Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018, 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.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

December 11, 2018

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The discussion and analysis of Miami Valley Career Technology Center's financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the Center's performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- Net position of governmental activities increased $28,520,297 which represents a 71% increase from restated 2017 net position.

- General revenues accounted for $40,036,980 in revenue or 87% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $5,884,580 or 13% of total revenues of $45,921,560.

- The Center had $17,401,263 in expenses related to governmental activities; $5,884,580 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $40,036,980 were also used to provide for these programs.

Overview of the Financial Statements

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

The *Statement of Net Position* and *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 nonmajor funds presented in total in one column. The major funds for the Center include the General, Debt Service, Building and Classroom Facilities Fund.

Government-wide Financial Statements

While this document contains 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 2018?" The Government-wide Financial Statements answer this question. 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 has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. 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 Government-wide Financial Statements, the overall financial position of the Center is presented in the following manner:

- Governmental Activities – Most of the Center's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

The analysis of the Center's major funds begins on the balance sheet. 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.

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

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Center's own programs.

The Center as a Whole

As stated previously, the Statement of Net Position looks at the Center as a whole. Table 1 provides a summary of the Center's net position for fiscal year 2018 compared to fiscal year 2017:

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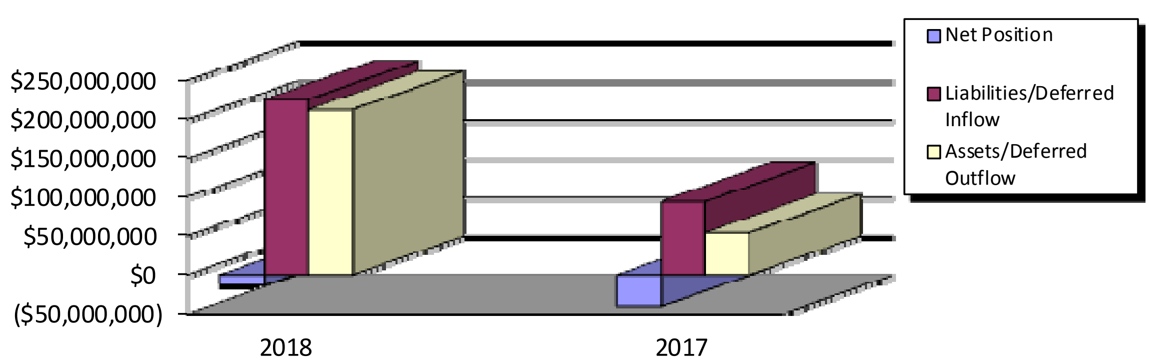
Table 1
Net Position

	Governmental Activities	
	2018	2017-Restated
Assets:		
Current and Other Assets	$182,166,656	$27,444,455
Capital Assets	15,685,150	15,386,946
Total Assets	197,851,806	42,831,401
Deferred Outflows of Resources:		
Deferred Charge on Refunding	569,829	607,818
OPEB	468,124	35,170
Pension	13,905,626	10,951,527
Total Deferred Outflows of Resources	14,943,579	11,594,515
Liabilities:		
Other Liabilities	3,382,064	2,866,718
Long-Term Liabilities	196,934,741	77,756,796
Total Liabilities	200,316,805	80,623,514
Deferred Inflows of Resources:		
Grants and Other Taxes	15,223	0
Property Taxes	20,308,698	12,217,420
OPEB	1,010,719	0
Pension	2,771,847	1,733,186
Total Deferred Inflows of Resources	24,106,487	13,950,606
Net Position:		
Net Investment in Capital Assets	10,147,533	9,769,355
Restricted	6,188,095	736,953
Unrestricted	(27,963,535)	(50,654,512)
Total Net Position	($11,627,907)	($40,148,204)



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

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Center's proportionate share of each plan's collective:

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

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

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

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

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

As a result of implementing GASB 75, the Center is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from ($29,289,686) to ($40,148,204).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the Center's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $11,627,907.

At year-end, capital assets represented 8% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2018, were $10,147,533. These capital assets are used to provide services to the students and are not available for future spending. Although the Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Center's net position, $6,188,095 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current Assets increased from fiscal year 2017 mainly due to an increase in cash and investments at fiscal year 2018 compared to fiscal year 2017. Capital Assets increased from fiscal year 2017 mainly due to depreciation expense being less than current year additions. Total Liabilities increased mainly due to an increase in debt issuances.

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Table 2 shows the changes in net position for fiscal years 2018 and 2017.

Table 2
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues		
Charges for Services and Sales	$2,609,801	$2,964,878
Operating Grants, Contributions	3,274,779	3,598,387
General Revenues:		
Property Taxes	21,334,869	14,804,961
Grants and Entitlements	17,511,305	16,653,760
Other	1,190,806	467,655
Total Revenues	45,921,560	38,489,641
Program Expenses:		
Instruction	9,112,610	22,898,270
Support Services:		
Pupil and Instructional Staff	2,412,940	6,741,953
School Administration, General Administration, Fiscal and Business	1,005,508	3,578,167
Operations and Maintenance	2,374,532	3,217,948
Pupil Transportation	70,541	121,889
Central	254,942	382,135
Interest and Fiscal Charges	2,170,190	244,996
Total Program Expenses	17,401,263	37,185,358
Change in Net Position	28,520,297	1,304,283
Net Position - Beginning of Year, Restated	(40,148,204)	N/A
Net Position - End of Year	($11,627,907)	($40,148,204)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $35,170 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $1,702,832. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 operating expenses under GASB 75	$17,401,263
Negative OPEB expense under GASB 75	1,702,832
2018 contractually required contribution	54,384
Adjusted 2018 operating expenses	19,158,479
Total 2017 operating expenses under GASB 45	37,185,358
Change in operating expenses not related to OPEB	($18,026,879)

The Center's revenues are mainly from two sources. Property tax levies, and grants and entitlements comprised 85% of the Center's revenues for governmental activities.

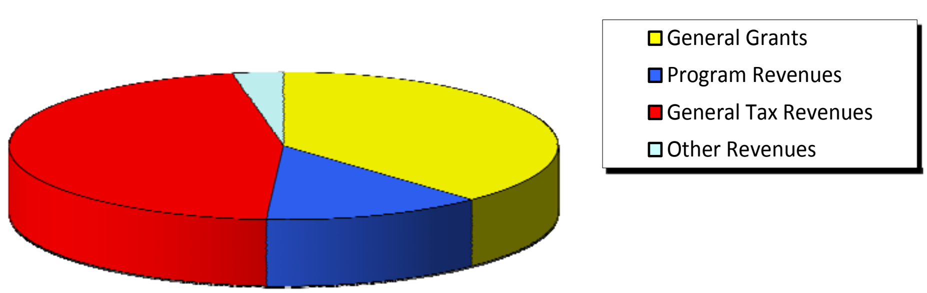
The Center depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with 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.

Thus Ohio Schools do not receive additional property tax revenue from an increase in appraisal values and must regularly return to the voters to maintain a constant level of service.

Property taxes made up 46% of revenues for governmental activities for the Center in fiscal year 2018. The Center's reliance upon tax revenues is demonstrated by the following graph:

Governmental Activities
Revenue Sources

	2018	Percentage
General Grants	$17,511,305	38%
Program Revenues	5,884,580	13%
General Tax Revenues	21,334,869	46%
Other Revenues	1,190,806	3%
Total Revenue Sources	$45,921,560	100%



Instruction comprises 52% of governmental program expenses. Support services expenses were 35% of governmental program expenses. All other expenses were 13%.

Grants and Entitlements increased in fiscal year 2018 as compared to fiscal year 2017 because the Center received more grant monies in 2018 compared to 2017.

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	$9,112,610	$22,898,270	($4,249,022)	($17,291,660)
Support Services:				
Pupil and Instructional Staff	2,412,940	6,741,953	(1,841,269)	(6,134,346)
School Administration, General Administration, Fiscal and Business	1,005,508	3,578,167	(852,028)	(3,447,298)
Operations and Maintenance	2,374,532	3,217,948	(2,313,687)	(3,176,718)
Pupil Transportation	70,541	121,889	(70,541)	(121,889)
Central	254,942	382,135	(20,932)	(205,579)
Extracurricular Activities	0	0	986	393
Interest and Fiscal Charges	2,170,190	244,996	(2,170,190)	(244,996)
Total Expenses	$17,401,263	$37,185,358	($11,516,683)	($30,622,093)

The Center's Funds

The Center has four major governmental funds: the General, Debt Service, Building and Classroom Facilities Fund. Assets of the general fund comprised $28,911,895 (16%), assets of the Debt Service fund comprised $19,094,806 (10%), assets of the Building fund comprised $98,178,797 (54%), and assets of the Classroom Facilities Fund comprised $32,593,444 (18%) of the total $182,172,147 governmental funds' assets.

General Fund: Fund balance at June 30, 2018 was $12,658,383, an increase in fund balance of $1,904,045 from 2017. The fund balance increased mostly due to an increase in grant monies received from 2017 to 2018.

Debt Service Fund: Fund balance at June 30, 2018 was $12,739,551, an increase in fund balance of $12,739,551 from 2017. The fund balance increased from 2017 to 2018 due to debt issuances.

Building Fund: Fund balance at June 30, 2018 was $98,178,797, an increase in fund balance of $97,661,377 from 2017. The fund balance increased from 2017 to 2018 due to the start of a new building project.

Classroom Facilities Fund: Fund balance at June 30, 2018 was $32,593,444, an increase in fund balance of $32,593,444 from 2017. The fund balance increased from 2017 to 2018 due to debt issuances.

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 2018, the Center amended its General fund budget several times; however no amendments were significant. The Center uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the Center revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was $32,574,224, compared to original budget estimates of $31,947,060. Of the $627,164 difference, most was due to an underestimation of taxes revenue and intergovernmental revenue in the original budget. Actual budgetary basis revenue was equal to final budget basis revenue of $32,574,224. Final budget basis expenditures were $31,155,946, compared to original budget estimates of $32,300,029. Of the $1,144,083 difference, most was due to overestimate of vocational instruction and operations and maintenance support services expenditures in the original budget. Actual budgetary basis expenditures of $31,155,374 were $572 less than final budget basis expenditures which was a result of the Center's overall monitoring of expenditures.

The Center's ending unobligated cash balance for the General Fund was $10,769,154.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the Center had $15,685,150 invested in land, construction in progress, buildings and improvements and equipment. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017:

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Table 4
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities	
	2018	2017
Land	$374,903	$374,903
Construction in Progress	265,000	0
Buildings and Improvements	13,791,731	13,824,430
Equipment	1,253,516	1,187,613
Total Net Capital Assets	$15,685,150	$15,386,946

The increase in capital assets is due to depreciation expense being less than current year additions.

See Note 5 to the basic financial statements for further details on the Center's capital assets.

Debt

At June 30, 2018, the Center had $145,210,753 in general obligation bonds outstanding, $4,170,000 due within one year. Table 5 summarizes debt outstanding:

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2018	2017
2008 General Obligation School Improvement Bonds	$270,000	$530,000
2015 Refunding of 2008 Bonds	4,485,000	4,565,000
2015 Refunding of 2008 - CABs Principal	442,994	442,994
2015 Refunding of 2008 - CABs Interest	192,677	119,114
Premium on Refunding Bonds of 2008 Bonds, Series 2015	644,452	687,415
2018 School Improvement Bonds	130,055,000	0
Premium on 2018 School Improvement Bonds	9,832,280	0
Discount on 2018 School Improvement Bonds	(711,650)	0
	$145,210,753	$6,344,523

See Note 6 in the notes to the basic financial statements for further details on the Center's outstanding debt.

For the Future

Projected tax valuations for future tax years are expected to gradually increase. For the 2017 tax year/2018 collection period, taxable values for the vocational district increased by 1.83% including a 3.85% increase for Montgomery County, which makes up 61% of the total valuation.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 questions about this report or need additional financial information, contact the Treasurer at Miami Valley Career Technology Center, 6800 Hoke Road, Englewood, Ohio 45315.

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Miami Valley Career Technology Center, Ohio
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	$157,383,406
Receivables (Net):	
Taxes	24,540,600
Accounts	149,078
Interest	9,476
Intergovernmental	71,812
Prepaids	12,284
Nondepreciable Capital Assets	639,903
Depreciable Capital Assets, Net	15,045,247
Total Assets	197,851,806
Deferred Outflows of Resources:	
Deferred Charge on Refunding	569,829
Pension	13,905,626
OPEB	468,124
Total Deferred Outflows of Resources	14,943,579
Liabilities:	
Accounts Payable	316,560
Accrued Wages and Benefits	2,598,888
Accrued Interest Payable	466,616
Long-Term Liabilities:	
Due Within One Year	4,484,863
Due In More Than One Year:	
Net Pension Liability	42,350,902
Net OPEB Liability	8,558,707
Other Amounts	141,540,269
Total Liabilities	200,316,805
Deferred Inflows of Resources:	
Property Taxes	20,308,698
Grants and Other Taxes	15,223
Pension	2,771,847
OPEB	1,010,719
Total Deferred Inflows of Resources	24,106,487
Net Position:	
Net Investment in Capital Assets	10,147,533
Restricted for:	
Debt Service	3,437,102
Capital Projects	982,241
State Grants	50,186
Federal Grants	67,453
Classroom Maintenance	1,651,113
Unrestricted	(27,963,535)
Total Net Position	($11,627,907)

See accompanying notes to the basic financial statements.

Miami Valley Career Technology Center, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$472,317	$706,631	$0	$234,314
Special	215,443	0	0	(215,443)
Vocational	6,979,916	6,775	409,575	(6,563,566)
Adult	1,444,934	1,834,564	1,906,043	2,295,673
Support Services:				
Pupil	409,447	0	0	(409,447)
Instructional Staff	2,003,493	0	571,671	(1,431,822)
General Administration	17,477	0	0	(17,477)
School Administration	225,437	0	114,663	(110,774)
Fiscal	536,887	0	38,817	(498,070)
Business	225,707	0	0	(225,707)
Operations and Maintenance	2,374,532	60,845	0	(2,313,687)
Pupil Transportation	70,541	0	0	(70,541)
Central	254,942	0	234,010	(20,932)
Extracurricular Activities	0	986	0	986
Interest and Fiscal Charges	2,170,190	0	0	(2,170,190)
Totals	$17,401,263	$2,609,801	$3,274,779	(11,516,683)

General Revenues:	
Property Taxes Levied for:	
General Purposes	14,393,085
Special Revenue Purposes	1,633,556
Debt Service Purposes	5,308,228
Grants and Entitlements, Not Restricted	17,511,305
Unrestricted Contributions	246,573
Investment Earnings	718,393
Other Revenues	225,840
Total General Revenues	40,036,980
Change in Net Position	28,520,297
Net Position - Beginning of Year, Restated	(40,148,204)
Net Position - End of Year	($11,627,907)

See accompanying notes to the basic financial statements.

Miami Valley Career Technology Center, Ohio
Balance Sheet
Governmental Funds
June 30, 2018

	General	Debt Service	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Investments	$13,462,331	$11,801,106	$98,178,797	$32,593,444	$1,347,728	$157,383,406
Receivables (Net):						
Taxes	15,251,725	7,293,700	0	0	1,995,175	24,540,600
Accounts	149,078	0	0	0	0	149,078
Interest	9,476	0	0	0	0	9,476
Intergovernmental	21,510	0	0	0	50,302	71,812
Interfund	5,491	0	0	0	0	5,491
Prepaids	12,284	0	0	0	0	12,284
Total Assets	28,911,895	19,094,806	98,178,797	32,593,444	3,393,205	182,172,147
Liabilities:						
Accounts Payable	316,560	0	0	0	0	316,560
Accrued Wages and Benefits	2,598,888	0	0	0	0	2,598,888
Compensated Absences	78,228	0	0	0	0	78,228
Interfund Payable	0	0	0	0	5,491	5,491
Total Liabilities	2,993,676	0	0	0	5,491	2,999,167
Deferred Inflows of Resources:						
Property Taxes	12,619,278	6,070,458	0	0	1,618,962	20,308,698
Grants and Other Taxes	15,223	0	0	0	0	15,223
Unavailable	625,335	284,797	0	0	87,675	997,807
Total Deferred Inflows of Resources	13,259,836	6,355,255	0	0	1,706,637	21,321,728
Fund Balances:						
Nonspendable	12,284	0	0	0	0	12,284
Restricted	0	12,739,551	98,178,797	32,593,444	1,681,077	145,192,869
Assigned	2,361,344	0	0	0	0	2,361,344
Unassigned	10,284,755	0	0	0	0	10,284,755
Total Fund Balances	12,658,383	12,739,551	98,178,797	32,593,444	1,681,077	157,851,252
Total Liabilities, Deferred Inflows and Fund Balances	$28,911,895	$19,094,806	$98,178,797	$32,593,444	$3,393,205	$182,172,147

See accompanying notes to the basic financial statements.

Miami Valley Career Technology Center, Ohio
Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balance		$157,851,252
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.		
Capital assets used in the operation of Governmental Funds		15,685,150
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent Property Taxes		997,807
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(466,616)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(736,151)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		569,829
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	13,905,626	
Deferred inflows of resources related to pensions	(2,771,847)	
Deferred outflows of resources related to OPEB	468,124	
Deferred inflows of resources related to OPEB	(1,010,719)	
		10,591,184
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(42,350,902)	
Net OPEB Liability	(8,558,707)	
Other Amounts	(145,210,753)	
		(196,120,362)
Net Position of Governmental Activities		($11,627,907)

See accompanying notes to the basic financial statements.

Miami Valley Career Technology Center, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Debt Service	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property and Other Taxes	$14,481,930	$5,023,431	$0	$0	$1,545,881	$21,051,242
Tuition and Fees	2,584,054	0	0	0	0	2,584,054
Investment Earnings	665,449	14,314	28,952	9,678	0	718,393
Intergovernmental	17,658,320	126,713	0	0	3,348,978	21,134,011
Extracurricular Activities	986	0	0	0	0	986
Charges for Services	86,015	0	0	0	0	86,015
Other Revenues	210,538	0	0	0	0	210,538
Total Revenues	35,687,292	5,164,458	28,952	9,678	4,894,859	45,785,239
Expenditures:						
Current:						
Instruction:						
Regular	1,043,357	0	0	0	0	1,043,357
Special	548,721	0	0	0	0	548,721
Vocational	16,619,787	0	0	0	333,470	16,953,257
Adult	1,124,117	0	0	0	1,989,003	3,113,120
Support Services:						
Pupil	1,798,819	0	0	0	0	1,798,819
Instructional Staff	4,538,472	0	0	0	581,681	5,120,153
General Administration	43,164	0	0	0	0	43,164
School Administration	1,967,329	0	0	0	123,587	2,090,916
Fiscal	1,035,239	69,066	0	0	21,260	1,125,565
Business	460,565	0	0	0	0	460,565
Operations and Maintenance	3,300,761	0	0	0	0	3,300,761
Pupil Transportation	125,018	0	0	0	0	125,018
Central	188,113	0	0	0	234,010	422,123
Capital Outlay	9,283	0	308,809	0	0	318,092
Debt Service:						
Principal Retirement	0	340,000	0	0	0	340,000
Interest and Fiscal Charges	0	1,953,992	0	0	0	1,953,992
Total Expenditures	32,802,745	2,363,058	308,809	0	3,283,011	38,757,623
Excess of Revenues Over (Under) Expenditures	2,884,547	2,801,400	(279,857)	9,678	1,611,848	7,027,616
Other Financing Sources (Uses):						
Proceeds from Sale of Capital Assets	2,998	0	0	0	0	2,998
Issuance of Long-Term Capital-Related Debt	0	0	97,471,234	32,583,766	0	130,055,000
Premium on Bonds Sold	0	10,160,023	0	0	0	10,160,023
Discount on Bonds Sold	0	(735,372)	0	0	0	(735,372)
Transfers In	0	513,500	470,000	0	0	983,500
Transfers (Out)	(983,500)	0	0	0	0	(983,500)
Total Other Financing Sources (Uses)	(980,502)	9,938,151	97,941,234	32,583,766	0	139,482,649
Net Change in Fund Balance	1,904,045	12,739,551	97,661,377	32,593,444	1,611,848	146,510,265
Fund Balance - Beginning of Year	10,754,338	0	517,420	0	69,229	11,340,987
Fund Balance - End of Year	$12,658,383	$12,739,551	$98,178,797	$32,593,444	$1,681,077	$157,851,252

See accompanying notes to the basic financial statements.

Miami Valley Career Technology Center, Ohio
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balance - Total Governmental Funds		$146,510,265
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.		
Capital assets used in governmental activities	461,258	
Depreciation Expense	(163,054)	
		298,204
Governmental funds report Center pension and OPEB contributions as expenditures. However in the Statement of Activites, the cost of pension and OPEB benefits earned net of employee contributions are reported as pension and OPEB expense.		
Center pension contributions	3,400,619	
Cost of benefits earned net of employee contributions - Pensions	14,358,286	
Center OPEB contributions	54,384	
Cost of benefits earned net of employee contributions - OPEB	1,702,832	
		19,516,121
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	283,627	
Intergovernmental	(150,304)	
		133,323
In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as other financing sources and uses.		
Premium/Discount on Bonds Issued		(9,424,651)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		340,000
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		(451,630)
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	(276,767)	
Special Term Benefits	1,695,000	
Amortization of Bond Premium/Discount	346,984	
Amortization of Deferred Charge on Refunding	(37,989)	
Bond Accretion	(73,563)	
		1,653,665
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		(130,055,000)
Change in Net Position of Governmental Activities		$28,520,297

See accompanying notes to the basic financial statements.

Miami Valley Career Technology Center, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	$13,093	$66,902
Total Assets	13,093	66,902
Liabilities:		
Accounts Payable	0	11,782
Other Liabilities	0	55,120
Total Liabilities	0	$66,902
Net Position:		
Held in Trust	13,093	
Total Net Position	$13,093	

See accompanying notes to the basic financial statements.

Miami Valley Career Technology Center, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
Additions:	
Other	$0
Total Additions	0
Deductions:	
Scholarships	0
Total Deductions	0
Change in Net Position	0
Net Position - Beginning of Year	13,093
Net Position - End of Year	$13,093

See accompanying notes to the basic financial statements.

Note 1 - Summary of Significant Accounting Policies

Description of the Center

Miami Valley Career Technology Center (the Center) is a joint vocational school 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 high school and adult students to academic preparation and job training which lead to employment and/or further education upon graduation from high school. Miami Valley Career Technology Center includes twenty-seven member school districts throughout Montgomery, Butler, Champaign, Darke, Miami, Preble, Shelby and Warren counties. The first official body designated as the Miami Valley Career Technology Center Board of Education was formed in November 1967, under the former name of the Montgomery County Joint Vocational School.

The Center operates under a board comprised of seventeen individuals. These individuals are elected to the board of the member school districts, and are then appointed by their respective boards, except in counties with few member school districts. These counties have the County Educational Service Center appoint the individual to the Board, instead of all member school districts in the county appointing the individual.

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

The reporting entity is comprised of the jointly governed organization, component units and other organizations that are included to ensure that the financial statements of the Center are not misleading. The jointly governed organization consists of all funds, departments, boards and agencies that are not legally separate from the Center. For Miami Valley Career Technology Center, this includes general operations 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 for the organization. The Center has no component units.

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The Center is associated with four jointly governed organizations, one related organization, and one public entity risk pool. These organizations are:

Jointly Governed Organizations:
- Southwest Ohio Computer Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association
- Ohio Association of Career Tech Superintendents

Related Organization:
- Miami Valley Career Technology Center Education Foundation

Public Entity Risk Pool:
- Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan

Reporting Entity

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, 39, and 61, the financial reporting entity consists of a primary government. The Center is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the Center for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the Center's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The Center's major operations include education, pupil transportation, and maintenance of Center facilities.

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 most significant of the Center's accounting policies are described below.

Measurement Focus

Government-wide Financial Statements

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.

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Center are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

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

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 current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

Fund Accounting

The Center uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Center functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Center are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus 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, and liabilities and deferred inflows is reported as fund balance. The following are the Center's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund – The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Building Fund – The building fund is used to account for the reciepts and expenditures related to all special bond funds in the Center. All proceeds from the sale of bonds, notes, or certificates or indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

Classroom Facilities Fund – The classroom facilities fund accounts for monies received and expended in connection with contracts entered into by the Center and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center has a private purpose trust fund which accounts for scholarship programs for students. The Center has student activity, special trust, and Center agency funds which account for assets and liabilities generated by student managed, special trust, and post-secondary vocational education activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows, 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 sixty days of fiscal year end.

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Center deferred outflows of resources include pension, OPEB plans, and deferred charge on refunding. These deferred outflows are reported only on the government-wide statement of net position and are explained in Notes 7 and 8.

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 as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources include pension, OPEB, property taxes, grants, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance year 2019 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants have been recorded as deferred inflows on the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents delinquent property taxes. Deferred resources related to pension and OPEB are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 7 and 8.

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. However, debt service expenditures, as well as any expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Equity in Pooled Cash and Investments

Cash received by the Center is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

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

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. There was $665,449 of interest revenue credited to the general fund, $14,314 to the Debt Service Fund, $28,952 to the Building Fund, and $9,678 to the Classroom Facilities Fund during the fiscal year.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Center maintained a capitalization threshold of seven thousand five hundred dollars ($7,500). The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

Description	Estimated Lives
Buildings and Improvements	15 - 40 years
Equipment	5 - 10 years

Pensions/Other Postemployment Benefits (OPEB)

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

Compensated Absences

The Center reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 Center 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 all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The Center's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

Vacation	Certified	Administrators	Non-Certificated
How Earned	Not Eligible	20 days per year or 2.08-2.50 per month	10-20 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	Up to 2 years	Up to 2 years
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination
Sick Leave			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)

Maximum Accumulation	295 days	295 days	Up to 2 years
Vested	As Earned	As Earned	As Earned
Termination Entitlement	1/4 paid upon retirement (up to 295 days) 15% beyond 295 days	30% paid upon retirement (up to 295 days) 20% beyond 295 days, but limited to 110 days	1/4 paid upon retirement (up to 295 days) 15% beyond 295 days

Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. 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 its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the Center's $6,188,095 in restricted net position, none was restricted by enabling legislation.

Interfund Activity

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Position.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, 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 expenditure/expense is reported in the year in which services are consumed.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* the Center classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

> Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.
>
> Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.
>
> Committed – resources that can be used only for the specific purposes imposed by a formal action (board resolution) of the Center's Board of Education. The Board of Education is the highest level of decision making authority for the Center. Those committed resources cannot be used for any other purpose unless the Center's Board of Education removes or changes the specified use by taking the same type of action (board resolution) it employed to previously commit those resources.
>
> Assigned – resources that are intended to be used for specific purposes as approved through the Center's formal purchasing procedure by the Treasurer. In the general fund, assigned amounts represent intended uses established by policies of the Center's Board of Education. The adoption of the board appropriation resolution is the established policy, which gives the authorization to assign resources for a specific purpose.
>
> Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

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.

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.

Note 2 - Equity in Pooled Cash and Investments

The Center maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the Center into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the Center. Such monies must by law be maintained either as cash in the Center treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current five year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

(1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

(2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.

(3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

(4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but not limited to, passbook accounts.

(5) Bonds and other obligations of the State of Ohio.

(6) The Ohio State Treasurer's investment pool (STAR Ohio).

(7) Commercial paper and banker’s acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

(8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

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.

Deposits

As of June 30, 2018 $4,635,168 of the Center's bank balance of $4,961,200 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Center's name, or through the Ohio Pooled Collateral System. At December 31, 2017, $99,404 of the Center's bank balance of $1,379,454 was exposed to custodial credit risk. Certain timing issues related to fluctuations in depository balances contributed to the uncollateralized balance. These insufficiencies were corrected the next business day.

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

> Eligible securities pledged to the Center and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2018, the Center had the following investments:

Investment Type	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Federal Home Loan Bank	$537,656	Level 2	1.89
Negotiable CDs	484,332	Level 2	2.24
Federal National Mortgage Association	875,412	Level 2	2.29
Federal Farm Credit Bank	1,090,762	Level 2	1.09
Commercial Paper	63,470,655	Level 2	0.09
U.S. Treasury Bills	81,561,004	Level 1	0.35
Money Market Funds	58,647	N/A	0.00
STAR Ohio	4,825,852	N/A	0.00
Total Fair Value	$152,904,320		

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

Interest Rate Risk - In accordance with the investment policy, the Center manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years.

Credit Risk – It is the Center's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The Center's investments in Federal Home Loan Bank, Federal National Mortgage Association, Treasury Bills, and Federal Farm Credit Bank – Discount Note were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. Commercial Paper was rated A-1+ by Standard & Poor's ratings and P-1 by Moody's Investors Service. Investments in STAR Ohio were rated AAAm by Standard & Poor's. Money Market Funds and Negotiable CDs are not rated.

Concentration of Credit Risk – The Center's investment policy allows investments in Federal Agencies or Instrumentalities. All investments were issued or guaranteed by the federal government. The Center has invested 0.35% in Federal Home Loan Bank, 0.57% in Federal National Mortgage Association, 41.51% in Commercial Paper, 0.04% in Money Market Funds, 0.71% in Federal Farm Credit Bank, 3.16% in STAR Ohio, 0.32% in Negotiable CDs, and 53.34% in U.S. Treasury Notes.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Center's securities are either insured and registered in the name of the Center or at least registered in the name of the Center.

Note 3 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the Center. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true 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. The Center receives property taxes from the County. The County Auditor periodically advances to the

Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2019 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2018. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2018 on the fund statements. The entire amount of delinquent taxes receivable is recognized as revenue on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred inflows of resources – property taxes for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2018, was $2,007,112 for General Fund, $288,538 for Classroom Facilities Fund, and $938,445 for Debt Service Fund and is recognized as revenue.

The assessed value, by property classification, upon which taxes collected in 2018 were based as follows:

	Amount
Public Utility Personal	$280,190,090
Real Estate	6,747,248,340
Total	$7,027,438,430

Note 4 – Receivables

Receivables at June 30, 2018, consisted of taxes, accounts, interest, intergovernmental grants, and interfund. All receivables are considered collectible in full.

Note 5 - Capital Assets

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

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	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	$374,903	$0	$0	$374,903
Construction in Progress	0	265,000	0	265,000
Total capital assets, not being depreciated	374,903	265,000	0	639,903
Capital Assets, being depreciated:				
Buildings and Improvements	35,764,102	39,735	0	35,803,837
Equipment	6,715,714	156,523	25,578	6,846,659
Total capital assets being depreciated	42,479,816	196,258	25,578	42,650,496
Totals at Historical Cost	42,854,719	461,258	25,578	43,290,399
Less Accumulated Depreciation For:				
Buildings and Improvements	21,939,672	72,434	0	22,012,106
Equipment	5,528,101	90,620	25,578	5,593,143
Total Accumulated Depreciation	27,467,773	163,054	25,578	27,605,249
Total capital assets, net	$15,386,946	$298,204	$0	$15,685,150

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$18,968
Special	4,020
Vocational	127,331
Adult	2,513
Support Services:	
Instructional Staff	69
School Administration	3,853
Fiscal	335
Business	335
Operations and Maintenance	4,290
Central	1,340
Total Depreciation Expense	$163,054

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Note 6 - Long-Term Liabilities

Governmental Activities:	Restated Beginning Outstanding	Additions	Deductions	Ending Outstanding	Due In One Year
General Obligation Bonds:					
2008 School Improvement Bonds	$530,000	$0	($260,000)	$270,000	$270,000
2015 Refunding of 2008 Bonds	4,565,000	0	(80,000)	4,485,000	80,000
2015 Refunding of 2008 Bonds - CABS - Principal	442,994	0	0	442,994	0
2015 Refunding of 2008 Bonds - CABs - Interest	119,114	73,563	0	192,677	0
Premium on Refunding of 2008 Bonds, Series 2015	687,415	0	(42,963)	644,452	0
2018 School Improvement Bonds	0	130,055,000	0	130,055,000	3,820,000
2018 School Improvement Bonds - Discount	0	(735,372)	23,722	(711,650)	0
2018 School Improvement Bonds - Premium	0	10,160,023	(327,743)	9,832,280	0
Subtotal Bonds	6,344,523	139,553,214	(686,984)	145,210,753	4,170,000
Special Term Benefits Payable	1,695,000	0	(1,695,000)	0	0
Compensated Absences	629,216	532,554	(347,391)	814,379	314,863
Subtotal Bonds and Other Amounts	8,668,739	140,085,768	(2,729,375)	146,025,132	4,484,863
Net Pension Liability:					
STRS	51,017,801	0	(14,463,313)	36,554,488	0
SERS	7,176,568	0	(1,380,154)	5,796,414	0
Total Net Pension Liability	58,194,369	0	(15,843,467)	42,350,902	0
Net OPEB Liability:					
STRS	8,151,179	0	(2,147,355)	6,003,824	0
SERS	2,742,509	0	(187,626)	2,554,883	0
Total Net OPEB Liability	10,893,688	0	(2,334,981)	8,558,707	0
Total Long-Term Obligations	$77,756,796	$140,085,768	($20,907,823)	$196,934,741	$4,484,863

In 2018 the Center issued $130,055,000 in bonds (school improvement) for building renovations. The rate of the bonds range from 2.0%-5.0% and the bonds will mature on 12/01/2047.

In 2008 the Center issued $6,900,000 in bonds (school improvement) for the construction of a new building. The rate of the bonds range from 3.0%-5.5% and the bonds will mature on 12/01/2032.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

On June 24, 2015 the Center issued $4,695,000 in Current Interest Bonds with an interest rate between 2.00% and 4.00% and $442,994 in Capital Appreciation Bonds all of which was used to partially advance refund $5,140,000 of the outstanding 2008 General Obligation Bonds with an interest rate between 4.00% and 4.25%. The net proceeds of $5,911,335 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the one bond issue. As a result, $5,140,000 of the 2008 General Obligation Bonds are considered to be defeased and the related liability for those bonds have been removed from the Statement of Net Position.

Compensated absences will be paid from the fund from which the person is paid. The School Improvement Bonds will be paid from the bond retirement fund.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year	General Obligation Bonds			Capital Appreciation Bonds		
Ending June 30	Principal	Interest	Total	Principal	Interest	Total
2019	$4,170,000	$5,535,555	$9,705,555	$0	$0	$0
2020	2,660,000	5,422,218	8,082,218	0	0	0
2021	2,810,000	5,344,618	8,154,618	0	0	0
2022	2,560,000	5,265,318	7,825,318	167,654	202,346	370,000
2023	2,855,000	5,181,999	8,036,999	144,245	215,755	360,000
2024-2028	18,790,000	24,043,984	42,833,984	131,095	238,905	370,000
2029-2033	17,365,000	19,945,182	37,310,182	0	0	0
2034-2038	21,020,000	15,771,240	36,791,240	0	0	0
2039-2043	27,500,000	10,867,329	38,367,329	0	0	0
2044-2048	35,080,000	3,567,310	38,647,310	0	0	0
Total	$134,810,000	$100,944,753	$235,754,753	$442,994	$657,006	$1,100,000

Note 7 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 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 year of service; 2.20% for the first thirty years of service and 2.50% for years of service credit over 30 or $86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

Post-Retirement Increases – Before January 1, 2018; on each anniversary of the initial date of retirement, the allowances of all retirees and survivors are increased by 3% of the base benefit. On or after January 1, 2018; on each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0% nor greater than 2.5%. COLA's shall be suspended for calendar years 2018, 2019, and 2020.

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

The contractually required contribution to SERS was $432,184 for fiscal year 2018. Of this amount $58,322 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14% of their annual covered salary. The employer was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was $2,968,435 for fiscal year 2018. Of this amount $266,334 is reported as accrued wages and benefits.

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

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$5,796,414	$36,554,488	$42,350,902
Proportion of the Net Pension Liability:			
Current Measurement Date	0.09701470%	0.15387985%	
Prior Measurement Date	0.09805290%	0.15241472%	
Change in Proportionate Share	-0.00103820%	0.00146513%	
Pension Expense	($106,469)	($14,251,817)	($14,358,286)

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

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$249,457	$1,411,563	$1,661,020
Changes of assumptions	299,737	7,994,868	8,294,605
Changes in proportion and differences between Center contributions and proportionate share of contributions	205,470	343,912	549,382
Contributions subsequent to the measurement date	432,184	2,968,435	3,400,619
Total Deferred Outflows of Resources	$1,186,848	$12,718,778	$13,905,626
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$294,615	$294,615
Net difference between projected and actual earnings on pension plan investments	27,514	1,206,341	1,233,855
Changes in proportion and differences between Center contributions and proportionate share of contributions	102,987	1,140,390	1,243,377
Total Deferred Inflows of Resources	$130,501	$2,641,346	$2,771,847

$3,400,619 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	$356,741	$1,227,404	$1,584,145
2020	328,239	2,735,623	3,063,862
2021	74,309	2,507,382	2,581,691
2022	(135,126)	638,588	503,462
Total	$624,163	$7,108,997	$7,733,160

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions Experience Study Date	5 year period ended June 30, 2015

Prior to 2017, an assumption of 3.0% was used for COLA or Ad Hoc COLA.

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

The 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 the SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

Discount Rate

The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return 7.50%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.50%, or one percentage point higher 8.50% than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	$8,043,916	$5,796,414	$3,913,672

Changes in Benefit Terms

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

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	July 1, 2017	July 1, 2016
Inflation	2.50%	2.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.45%, net of investment expenses, including inflation	7.75%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.50%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1 2013, or later, 2% COLA commences on fifth anniversary of retirement date.

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

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

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. 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 the rates described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table represents the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.45% or one percentage point higher 8.45% than the current assumption:

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	$52,399,615	$36,554,488	$23,207,344

Changes in Assumptions

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms

Effective July 1, 2017, the COLA was reduced to zero.

Note 8 – Defined Benefit Other Postemployment Benefits (OPEB) Plans

Net Other Postemployment Benefits (OPEB) Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the surcharge obligation was $38,377.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Center's contractually required contribution to SERS was $54,384 for fiscal year 2018. Of this amount $38,377 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Center's proportion of the net OPEB liability was based on the employer'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:

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	$2,554,883	$6,003,824	$8,558,707
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.09519870%	0.15387985%	
Prior Measurement Date	0.09621591%	0.15241472%	
Change in Proportionate Share	-0.00101721%	0.00146513%	
OPEB Expense	$118,019	($1,820,851)	($1,702,832)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$346,578	$346,578
Changes in proportion and differences between Center contributions and proportionate share of contributions	0	67,162	67,162
Contributions subsequent to the measurement date	54,384	0	54,384
Total Deferred Outflows of Resources	$54,384	$413,740	$468,124
Deferred Inflows of Resources			
Differences between expected and Changes of assumptions	$242,445	$483,627	$726,072
Net difference between projected and actual earnings on pension plan investments	6,747	256,617	263,364
Changes in proportion and differences between Center contributions and proportionate share of contributions	21,283	0	21,283
Total Deferred Inflows of Resources	$270,475	$740,244	$1,010,719

$54,384 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	($97,240)	($75,802)	($173,042)
2020	(97,240)	(75,802)	(173,042)
2021	(74,308)	(75,802)	(150,110)
2022	(1,687)	(75,802)	(77,489)
2023	0	(11,648)	(11,648)
Thereafter	0	(11,648)	(11,648)
Total	($270,475)	($326,504)	($596,979)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

Discount Rate

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

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease 2.63%	Current Discount Rate 3.63%	1% Increase 4.63%
Proportionate share of the net OPEB liability	$3,085,347	$2,554,883	$2,134,620

	1% Decrease 6.50% decreasing to 4.00%	Current Trend Rate 7.50% decreasing to 5.00%	1% Increase 8.50% decreasing to 6.00%
Proportionate share of the net OPEB liability	$2,073,096	$2,554,883	$3,192,536

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Actuarial Assumptions - STRS

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

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0.00%, effective July 1, 2017
Blended Discount Rate of Return	4.13%
Health Care Cost Trends	6.00% to 11.00% initial, 4.5% ultimate

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

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

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

Since the prior measurement date, the discount rate was increased from 3.26% to 4.13% 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% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

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

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

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

Discount Rate

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

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
Proportionate share of the net OPEB liability	$8,060,037	$6,003,824	$4,378,743

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability	$4,171,200	$6,003,824	$8,415,772

Changes in Assumptions – STRS

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

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Note 9 - Employee Benefits

Insurance Benefits

The Center provides life insurance and accidental death and dismemberment insurance to full-time employees through Hartford Group Insurance. Medical/surgical benefits are provided through United Health Care. Dental insurance is provided through Delta Dental.

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, 2018, six members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

Note 10 - Contingent Liabilities

Grants

The Center receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Center as of June 30, 2018.

Litigation

The Center's attorney estimates that all other potential claims against the Center not covered by insurance resulting from all other litigation would not materially affect the financial statements of the Center.

Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the Center, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the fiscal year 2018 Foundation funding for the Center; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the Center.

Note 11 - Jointly Governed Organizations, Related Organization, and Public Entity Risk Pool

Jointly Governed Organizations

Southwest Ohio Computer Association

Southwest Ohio Computer Association (SWOCA) is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions amoung member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation of the Board. During fiscal year 2018, the Center paid SWOCA $46,451. Financial information can be obtained from the Executive Director, at 3611 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of about 132 school districts in 18 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member district by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2018, the fee was waived for all EPC districts. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377-1171.

Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Brown, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members from within the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal, state or local government for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2018, the Center paid SOITA $250. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, 1205 E. Fifth Street, Dayton, Ohio 45402.

Ohio Association of Career Tech Superintendents

The Ohio Association of Career Tech Superintendents (OACTS) is a not-for-profit organization. The purpose of the OACTS is to encourage and foster the ideal of vocational education as a worthy and integral part of the total educational system. The governing body of the organization is the Executive Committee. The Executive Committee consists of the Board of Directors and officers. The Board of Directors consists of five members selected by the membership of OACTS. Members of the Board of Directors serve staggered three year terms. The Board of Directors is responsible for electing officers of the organization. Officers include a President, a Vice-President, a Secretary and a Treasurer. All member Centers are required to pay membership fees. Payments to OACTS are made from the General Fund. During fiscal year 2018, the Center paid $5,750 for services performed during the fiscal year. To obtain financial information, write to the Ohio Association of Career Tech Superintendents, 6628 Wild Rose Lane, Westerville, OH 43082.

Related Organization

Miami Valley Career Technology Center Education Foundation

The Miami Valley Career Technology Center Education Foundation is a legally separate body politic. The board members of the Miami Valley Career Technology Center Education Foundation are appointed by the Center. The Center is not able to impose its will on the Miami Valley Career Technology Center Education Foundation and no financial benefit and/or burden relationship exists. The Miami Valley Career Technology Education Foundation is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. To obtain financial information write to the Miami Valley Career Technology Center Education Foundation, the Treasurer, at 6800 Hoke Road, Englewood, Ohio 45315-9740.

Public Entity Risk Pool

Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan

The Center participates in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief

Administrator of GRP serves as the 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.

Note 12 - Risk Management

Property and Liability

The Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the current fiscal year, the Center contracted with Phelan Insurance for general, property, and vehicle liability insurance. Coverages provided are as follows:

Building and Contents-replacement cost ($2,500 deductible)	$80,585,899
Crime Insurance ($500 deductible)	50,000
Automobile Liability ($1,000 deductible)	1,000,000
Uninsured Motorists ($1,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate	2,000,000

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

Note 13 - Fund Balance Reserves for Set-Asides

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

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

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2017	$0
Current Year Set Aside Requirements	364,655
Qualified Disbursements	(477,386)
Set Aside Reserve Balance as of June 30, 2018	($112,731)
Restricted Cash as of June 30, 2018	$0

Qualifying disbursements for capital activity during the year exceeded the amount required for the set-aside.

Note 14 - Interfund Transactions

Interfund transactions at June 30, 2018, consisted of the following interfund receivables and payables, and transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	$5,491	$0	$0	$983,500
Debt Service	0	0	513,500	0
Building	0	0	470,000	0
Other Governmental Funds	0	5,491	0	0
Total All Funds	$5,491	$5,491	$983,500	$983,500

Interfund Balances/Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed. Interfund transfers are eliminated on the statement of activities.

Note 15 – Fund Balances

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

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Fund Balances	General	Debt Service	Building	Classroom Facilities	Other Governmental Funds	Total
Nonspendable:						
Prepaids	$12,284	$0	$0	$0	$0	$12,284
Total Nonspendable	12,284	0	0	0	0	12,284
Restricted for:						
Data Communications	$0	$0	$0	$0	$24,312	$24,312
Miscellaneous State Grants	0	0	0	0	25,874	25,874
Adult Basic Education	0	0	0	0	47,138	47,138
Vocational Education	0	0	0	0	10	10
Improving Teacher Quality	0	0	0	0	9,330	9,330
Miscellaneous Federal Grants	0	0	0	0	10,975	10,975
Classroom Facilities Maintenance	0	0	0	0	1,563,438	1,563,438
Debt Service	0	12,739,551	0	0	0	12,739,551
Building	0	0	98,178,797	0	0	98,178,797
Classroom Facilities	0	0	0	32,593,444	0	32,593,444
Total Restricted	0	12,739,551	98,178,797	32,593,444	1,681,077	145,192,869
Assigned to:						
Encumbrances	546,884	0	0	0	0	546,884
Public School Support	856	0	0	0	0	856
Budgetary Resource	1,813,604	0	0	0	0	1,813,604
Total Assigned	2,361,344	0	0	0	0	2,361,344
Unassigned (Deficit)	10,284,755	0	0	0	0	10,284,755
Total Fund Balance	$12,658,383	12,739,551	$98,178,797	$32,593,444	$1,681,077	$157,851,252

Note 16 – Tax Abatements entered Into By Other Governments

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) and Enterprise Zone Agreement (“EZA”) programs with the taxing districts of the Center. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. The EZA program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in the community. Within the taxing districts of the Center, Municipalities in Montgomery County and Darke County have entered into CRA agreements and EZA agreements. Under these agreements the Center’s property taxes were reduced by $206,081.

Note 17 – Implementation of New Accounting Principles and Restatement of Net Position

For the fiscal year ended June 30, 2018, the Center has implemented GASB Statement No. 81, Irrevocable Split-Interest Agreements, GASB Statement No. 82, Pensions Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73, GASB No. 86, Certain Debt Extinguishment Issues, and GASB Statement No. 85, Omnibus 2017, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from (GASB) Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

GASB Statement No. 81 sets out to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Center.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The implementation of GASB Statement No. 82 was included in the footnote disclosures and required supplementary information for 2018.

GASB Statement No. 86 sets out to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the Center.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the Center’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net position June 30, 2017	($29,289,686)
Adjustments:	
Net OPEB Liabililty	(10,893,688)
Deferred Outflow - Payments Subsequent to Measurement Date	35,170
Restated Net Position June 30, 2017	($40,148,204)

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

Note 18 – Significant Outstanding Encumbrances

As of June 30, 2018, the following funds had significant outstanding encumbrances:

Fund	Amounts
General	$863,444
Building	6,259,372
Classroom Facilities	4,401,281

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REQUIRED SUPPLEMENTARY INFORMATION

Miami Valley Career Technology Center
Required Supplementary Information
Schedule of the Center's Proportionate Share
of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
Center's Proportion of the Net Pension Liability	0.15387985%	0.15241472%	0.15475599%	0.16124385%	0.16124385%
Center's Proportionate Share of the Net Pension Liability	$36,554,488	$51,017,801	$42,770,029	$39,220,085	$46,592,892
Center's Covered-Employee Payroll	$19,053,257	$17,873,221	$17,896,064	$17,741,946	$19,373,469
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	191.85%	285.44%	238.99%	221.06%	240.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the Center's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Miami Valley Career Technology Center
Required Supplementary Information
Schedule of the Center's Proportionate Share
of the Net Pension Liability
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
Center's Proportion of the Net Pension Liability	0.09701470%	0.09805290%	0.10015060%	0.08729000%	0.08729000%
Center's Proportionate Share of the Net Pension Liability	$5,796,414	$7,176,568	$5,714,690	$4,417,697	$5,192,411
Center's Covered-Employee Payroll	$3,083,743	$3,490,886	$3,672,041	$2,562,085	$2,816,337
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	187.97%	205.58%	155.63%	172.43%	184.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the Center's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Miami Valley Career Technology Center
Required Supplementary Information
Schedule of Center Contributions
for Net Pension Liability
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$2,968,435	$2,667,456	$2,502,251	$2,505,449	$2,306,453	$2,518,551	$2,413,929	$2,707,193	$2,679,348	$2,674,250
Contributions in Relation to the Contractually Required Contribution	(2,968,435)	(2,667,456)	(2,502,251)	(2,505,449)	(2,306,453)	(2,518,551)	(2,413,929)	(2,707,193)	(2,679,348)	(2,674,250)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Center Covered-Employee Payroll	$21,203,107	$19,053,257	$17,873,221	$17,896,064	$17,741,946	$19,373,469	$18,568,685	$20,824,562	$20,610,369	$20,571,154
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

Miami Valley Career Technology Center
Required Supplementary Information
Schedule of Center Contributions
for Net Pension Liability
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$432,184	$431,724	$488,724	$483,975	$355,105	$389,781	$366,363	$468,822	$458,134	$457,079
Contributions in Relation to the Contractually Required Contribution	(432,184)	(431,724)	(488,724)	(483,975)	(355,105)	(389,781)	(366,363)	(468,822)	(458,134)	(457,079)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Center Covered-Employee Payroll	$3,201,363	$3,083,743	$3,490,886	$3,672,041	$2,562,085	$2,816,337	$2,723,888	$3,729,690	$3,383,560	$4,645,112
Contributions as a Percentage of Covered-Employee Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

See accompanying notes to the required supplementary information.

Miami Valley Career Technology Center
Required Supplementary Information
Schedule of the Center's Proportionate Share
of the Net Postemployment Benefits Other Than Pension (OPEB) Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
Center's Proportion of the Net OPEB Liability	0.15387985%	0.15241472%
Center's Proportionate Share of the Net OPEB Liability	$6,003,824	$8,151,179
Center's Covered-Employee Payroll	$19,053,257	$17,873,221
Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	31.51%	45.61%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the Center's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Miami Valley Career Technology Center
Required Supplementary Information
Schedule of the Center's Proportionate Share
of the Net Postemployment Benefits Other Than Pension (OPEB) Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
Center's Proportion of the Net OPEB Liability	0.09519870%	0.09621591%
Center's Proportionate Share of the Net OPEB Liability	$2,554,883	$2,742,509
Center's Covered-Employee Payroll	$3,083,743	$3,490,886
Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	82.85%	78.56%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the Center's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Miami Valley Career Technology Center
Required Supplementary Information
Schedule of Center Contributions to
Postemployment Benefits Other Than Pension (OPEB)
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	2018	2017	2016
Contractually Required Contribution to OPEB	$0	$0	$0
Contributions to OPEB in Relation to the Contractually Required Contribution	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0
Center Covered-Employee Payroll	$21,203,107	$19,053,257	$17,873,221
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Miami Valley Career Technology Center
Required Supplementary Information
Schedule of Center Contributions to
Postemployment Benefits Other Than Pension (OPEB)
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	2018	2017	2016
Contractually Required Contribution to OPEB (2)	$54,384	$35,170	$35,170
Contributions to OPEB in Relation to the Contractually Required Contribution	(54,384)	(35,170)	(35,170)
Contribution Deficiency (Excess)	$0	$0	$0
Center Covered-Employee Payroll	$3,201,363	$3,083,743	$3,490,886
Contributions to OPEB as a Percentage of Covered-Employee Payroll	1.70%	1.14%	1.01%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) - Includes Surcharge.

See accompanying notes to the required supplementary information.

Miami Valley Career Technology Center, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property and Other Local Taxes	$14,369,064	$14,651,148	$14,651,148	$0
Tuition and Fees	7,885	8,040	8,040	0
Investment Earnings	143,650	146,470	146,470	0
Intergovernmental	17,312,172	17,652,034	17,652,034	0
Extracurricular Activities	840	856	856	0
Charges for Services	3,923	4,000	4,000	0
Other Revenues	109,526	111,676	111,676	0
Total Revenues	31,947,060	32,574,224	32,574,224	0
Expenditures:				
Current:				
Instruction:				
Regular	1,080,421	1,042,152	1,042,133	19
Special	566,607	546,537	546,527	10
Vocational	16,891,891	16,293,572	16,293,273	299
Support Services:				
Pupil	1,788,107	1,724,772	1,724,740	32
Instructional Staff	4,112,769	3,967,093	3,967,020	73
General Administration	52,865	50,993	50,992	1
School Administration	2,050,756	1,978,117	1,978,081	36
Fiscal	1,100,360	1,061,385	1,061,365	20
Business	515,197	496,948	496,939	9
Operations and Maintenance	3,774,946	3,641,236	3,641,169	67
Pupil Transportation	144,689	139,564	139,561	3
Central	194,258	187,377	187,374	3
Capital Outlay	27,163	26,200	26,200	0
Total Expenditures	32,300,029	31,155,946	31,155,374	572
Excess of Revenues Over (Under) Expenditures	(352,969)	1,418,278	1,418,850	572
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,940	2,998	2,998	0
Advances (Out)	(5,693)	(5,491)	(5,491)	0
Transfers (Out)	(862,907)	(832,342)	(832,327)	15
Total Other Financing Sources (Uses)	(865,660)	(834,835)	(834,820)	15
Net Change in Fund Balance	(1,218,629)	583,443	584,030	587
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	10,185,124	10,185,124	10,185,124	0
Fund Balance - End of Year	$8,966,495	$10,768,567	$10,769,154	$587

See accompanying notes to the required supplementary information.

Note 1 – Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations 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 amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Career Technology Center Treasurer. The amounts reported as the original budgeted amounts on the budgetary schedules reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedules reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2018.

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

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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are 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. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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

Net Change in Fund Balance

	General
GAAP Basis	$1,904,045
Revenue Accruals	(5,870,089)
Expenditure Accruals	5,052,702
Transfers Out	151,173
Advances Out	(5,491)
Encumbrances	(818,951)
Funds Budgeted Elsewhere	170,641
Budget Basis	$584,030

Note 2 - SERS Change in Assumptions-Net Pension Liability

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

Note 3 - STRS Change in Assumptions and Benefit Terms-Net Pension Liability

Changes in Assumptions

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms

Effective July 1, 2017, the COLA was reduced to zero.

Note 4 - SERS Change in Assumptions-Net OPEB Liability

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent

Fiscal year 2017 2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2018 3.63 percent

Fiscal year 2017 2.98 percent

Note 5 - STRS Change in Assumptions-Net OPEB Liability

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

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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MIAMI VALLEY CAREER TECHNOLOGY CENTER
MONTGOMERY COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Federal Receipts**	**Passed Through to Subrecipients**	**Total Federal Expenditures**
U.S. DEPARTMENT OF EDUCATION					
Passed Through the Ohio Board of Regents					
Adult Education - Basic Grants to States	84.002	V002A160036 V002A170036 HB49	$752,990	$35,000	$717,990
Direct Program					
Student Financial Aid Cluster					
Federal Pell Grant Program	84.063	N/A	735,873	-	728,164
Federal Direct Student Loans	84.268	N/A	1,208,519	-	1,208,318
Total Student Financial Aid Cluster			1,944,392	-	1,936,482
Passed Through Ohio Department of Education					
Career and Technical Education - Basic Grants to States	84.048	V048A170035	1,067,770	-	1,067,770
Total U.S. Department of Education			3,765,152	35,000	3,722,242
Total Federal Financial Assistance			$3,765,152	$35,000	$3,722,242

The accompanying notes are an integral part of this schedule.

MIAMI VALLEY CAREER TECHNOLOGY CENTER
MONTGOMERY COUNTY

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Miami Valley Career Technology Center (the Center's) under programs of the federal government for the year ended June 30, 2018. 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 or changes in net position 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 - SUBRECIPIENTS

The Center passes certain federal awards received from Ohio Board of Regents to other Governments or not-for-profit agencies (subrecipients). As Note B describes, the Center reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the Center has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E – LOAN PROGRAMS

The federal loan programs listed below are administered directly by the Center, and balances and transactions relating to these programs are included in the Centers basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balances of loans outstanding at June 30, 2018 consist of:

CFDA Number	Program/Cluster Name	Outstanding Balance at June 30, 2018
84.268	Federal Direct Student Loans / Student Financial Aid Cluster	-0-

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

Miami Valley Career Technology Center
Montgomery County
6800 Hoke Road
Englewood, Ohio 45315

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 Miami Valley Career Technology Center, Montgomery County, (the Center) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 11, 2018, wherein we noted the Center adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

Center's Response to Findings

The Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and corrective action plan. We did not subject the Center's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Dave Yost
Auditor of State
Columbus, Ohio

December 11, 2018

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

Miami Valley Career Technology Center
Montgomery County
6800 Hoke Road
Englewood, Ohio 45315

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Miami Valley Career Technology Center's (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 Miami Valley Career Technology Center's major federal program for the year ended June 30, 2018. 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 opinions on the Center's major program. However, our audit does not provide a legal determination of the Center's compliance.

Basis for Qualified Opinion on Student Financial Aid Cluster

As described in finding 2018-003 in the accompanying schedule of findings, the Center did not comply with requirements regarding special tests and provisions – enrollment reporting applicable to its Student Financial Aid Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the Center to comply with requirements applicable to this program.

The Center's response to our noncompliance finding is described in the accompanying schedule of findings and corrective action plan. We did not subject the Center's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Qualified Opinion on Student Financial Aid Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Student Financial Aid Cluster* paragraph, the Miami Valley Career Technology Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Student Financial Aid Cluster* for the year ended June 30, 2018.

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 the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of 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's compliance requirement will not be prevented, or timely detected or corrected. A *significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2018-003.

The Center's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not subject the Center's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 11, 2018

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SCHEDULE OF FINDINGS
2 C.F.R. § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	Yes
(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**	Qualified
(d)(1)(vi)	**Are there any reportable findings under 2 C.F.R. § 200.516(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Student Financial Aid Cluster
(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 C.F.R. § 200.520?**	Yes

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

FINDING NUMBER 2018-001

Noncompliance - Finding for Recovery

The Memoranda of Understanding (the MOU) dated April 20, 2015, between the Board of Education and the Miami Valley Career Technology Center Employees' Association provides a retirement incentive to employees who retire prior to July 1, 2018. The MOU states, in part, the incentive will be pro-rated using the employee's attendance percentage (deducting for sick leave, paid and unpaid, personal leave, special unpaid leave and unpaid leaves of absence) during their final year of employment multiplied by the appropriate corresponding amount:

- The employee has completed at least ten (10) years of service with the Center and retires by July 1, 2018 - five thousand dollars ($5,000)
- The employee has completed at least twenty (20) years of service with the Center and retires by July 1, 2018 - eight thousand dollars ($8,000)

FINDING NUMBER 2018-001
(Continued)

In this calculation, employees with an attendance percentage of 94.5% (rounded to the nearest 100th) will use a multiplier of 100 percent. All others will be calculated at their actual percentage rounded to the nearest 100th.

Peggy Livingston, Carol Pestke, and Michael Berger retired from service during fiscal year 2017 and the Center paid their severances via check 108795 issued to VOYA Institutional Trust Company on January 24, 2018. The Center paid each employee a retirement incentive payment of $10,000; however, based on the MOU and the employees' years of service and attendance, the employees should have only been paid $5,000 each.

In accordance with the forgoing facts, and pursuant to **Ohio Revised Code § 117.28**, a finding for recovery for public money illegally expended is hereby issued against Peggy Livingston in the amount of $5,000, Carol Pestke in the amount of $5,000, and Michael Berger in the amount of $5,000 and in favor of the Miami Valley Career Technology Center's General Fund.

On October 30, 2018, the $5,000 overpayment to Peggy Livingston was repaid from her VOYA Institutional Trust Company account via check 0001122014.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St 47 (1929); 1980 Op. Att'y Gen. No. 80-074: Ohio Rev. Code Section 9.39; S*tate ex rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

The Treasurer signed the check resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Matthew Huffman, Treasurer, in the amount of $10,000 and in favor of the Miami Valley Career Technology Center's General Fund. His bonding company is Travelers Casualty and Surety Company of America.

The Center should review severance compensation for employees and verify that payments are made in accordance with applicable policies, bargaining agreements, and approved retirement incentive plans. Failure to do so could result in overpayments in future years.

Officials' Response:

The Center's retirement incentive plan expired on June 30, 2018, so the Center will not pay any retirement incentives during future audit periods. Additionally, future severance payments will be thoroughly reviewed in the future to correct any issues before payment is issued.

FINDING NUMBER 2018-002

Material Weakness – Financial Statement Misstatements

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The Center prepared its annual financial report for the fiscal year ended June 30, 2018 in accordance with Generally Accepted Accounting Principles (GAAP). The following errors in the Center's annual financial report were identified as material and have been adjusted in the accompanying financial statements:

- The Center reduced Net Investment in Capital Assets in Governmental Activities by the premium associated with the 2018 School Improvement Bonds. The premium should have reduced the Net Position Restricted for Debt Service. As a result, the Center understated Net Investment in Capital Assets and overstated Net Position Restricted for Debt Service by $9,120,630 in Governmental Activities.
- The Memoranda of Understanding (the MOU) dated April 20, 2015, between the Board of Education and the Miami Valley Career Technology Center Employees' Association provides a retirement incentive to employees who retire prior to July 1, 2018. At June 30, 2018 the Center did not have any employees for whom a retirement incentive was earned but unpaid and employees were only eligible for the incentive if they retired prior to July 1, 2018; however, the Center reported a $1,610,000 Special Term Benefits Payable for the retirement incentive at June 30, 2018. As a result, the Center overstated Long-Term Liabilities Due in More than One Year: Other Amounts and Expenses by $1,610,000 in Governmental Activities.

In addition, the following errors to the Center's annual financial report were identified as not material and not adjusted to the accompanying financial statements:

- **Auditor of State Bulletin 2011-004** states, in part, when an appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. Stated differently, if appropriations (temporary or annual) exceed estimated receipts (not resources), the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance. The Center did not properly calculate the amount by which appropriations exceeded estimated receipts for the subsequent fiscal year in the General Fund. As a result, Assigned fund balance was understated and unassigned fund balance was overstated by $221,655 in the General fund.
- The Center did not properly calculate deferred inflows of resources, deferred outflows of resources, and expense related to net pension liability reported in Governmental Activities for the School Employees Retirement System (SERS) and State Teachers Retirement System (STRS). As a result, the Center understated Deferred Outflows of Resources: Pension by $8,519; overstated Deferred Inflows of Resources: Pension by $60,055; and overstated Pension Expense by $68,574.

FINDING NUMBER 2018-002
(Continued)

The Center should develop and implement procedures to verify the accuracy of amounts reported in the financial statements in accordance with applicable accounting standards. Failure to do so could result in the users of the financial statements basing their conclusions on materially misstated financial data.

Officials' Response:

The Treasurer will review the comments and calculations with Plattenburg and Associates to assure the comments will not be repeated.

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2018-003

Finding Number	2018-003		
CFDA Title and Number	Student Financial Aid Cluster: Federal Pell Grant Program (CFDA #84.063) Federal Direct Student Loans (CFDA #84.268)		
Federal Award Identification Number / Year	2018 2017		
Federal Agency	United States Department of Education		
Compliance Requirement	Special Tests and Provisions – Enrollment Reporting		
Pass-Through Entity	N/A		
Repeat Finding from Prior Audit?	No	**Finding Number (if repeat)**	N/A

Noncompliance and Material Weakness

34 C.F.R. § 685.309(b)(2) states, in part, unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that:

i. A loan under title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at that school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or
ii. A student who is enrolled at the school and who received a loan under title IV of the Act has changed his or her permanent address.

During fiscal year 2018, ninety-nine students who received assistance under the Student Financial Aid Cluster had a change in status (seventy-eight graduated and twenty-one withdrew or failed to enroll). The Center did not notify the Secretary via the National Student Loan Database System of the ninety-nine students' change in status until November 2018, which was after the thirty day requirement, due to a lack of controls over student enrollment reporting procedures.

FINDING NUMBER 2018-003
(Continued)

The Center should establish and implement policies and procedures to provide timely updates to the Secretary when there is a change in status for a student who receives assistance under the Student Financial Aid Cluster. Failure to submit timely updates could result in the Center providing aid to ineligible students and possible reductions of future federal funding.

Officials' Response:

Updates to the student status will be completed with NSLDS at the time the Financial Aid Administrator is made aware of student status changes instead of waiting to receive rosters from NSLDS every 60 days. The student status updates will be completed on both the campus and program level.

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MIAMI VALLEY CAREER TECHNOLOGY CENTER

6800 Hoke Road • Englewood, Ohio 45315-9740
937/ 837-7781 • Fax 937/837-5318
www.mvctc.com

CORRECTIVE ACTION PLAN
2 C.F.R. § 200.511(c)
JUNE 30. 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The Center's retirement incentive plan expired on June 30, 2018, so the Center will not pay any retirement incentives during future audit periods. Additionally, future severance payments will be thoroughly reviewed in the future to correct any issues before payment is issued.	June 30, 2018	Matt Huffman, Treasurer
2018-002	The Treasurer will review the comments and calculations with Plattenburg and Associates to assure the comments will not be repeated.	December 31, 2018	Matt Huffman, Treasurer
2018-003	Updates to the student status will be completed with NSLDS at the time the Financial Aid Administrator is made aware of student status changes instead of waiting to receive rosters from NSLDS every 60 days. The student status updates will be completed on both the campus and program level.	December 31, 2018	Marabeth Klejna

We are dedicated to providing premier educational choices
and advanced employment preparation for youth,
adults, and organizations of the Miami Valley.

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MIAMI VALLEY CAREER TECHNOLOGY CENTER

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 27, 2018

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov