POLARIS CAREER CENTER
CUYAHOGA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

POLARIS CAREER CENTER
CUYAHOGA COUNTY
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Polaris Career Center
Cuyahoga County
7285 Old Oak Boulevard
Middleburg Heights, Ohio 44130

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Polaris Career Center, Cuyahoga 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.

Opinion

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

Emphasis of Matter

As discussed in Note 3 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*, and schedules of net pension and other postemployment benefit liabilities and pension and other postemployment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards 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 March 15, 2019, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

March 15, 2019

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The management's discussion and analysis of Polaris Career Center's (the "Center") 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 transmittal letter, the notes to the basic financial statements and basic financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- In total, net position increased $10,193,097 from 2017 as restated. Net position of governmental activities increased $8,752,907 from 2017 as restated and business-type activities net position increased $1,440,190 from 2017 as restated.

- General revenues accounted for $16,769,613 in revenue or 87.98% of governmental activities revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for $2,291,436 or 12.02% of governmental activities revenues.

- The Center had $10,308,142 in expenses related to governmental activities; only $2,291,436 of these expenses was offset by program specific charges for services, operating grants or contributions resulting in a net cost of $8,016,706 for the Center. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $16,769,613 were adequate to provide for these programs.

- The Center's major governmental funds are the general fund and the permanent improvement fund. The general fund had $13,855,574 in revenues and $14,319,969 in expenditures. During fiscal 2018, the general fund's fund balance decreased $464,395 from a balance of $10,025,753 to $9,561,358.

- The permanent improvement fund had $4,121,012 in revenues and $6,136,320 in expenditures. During fiscal 2018, the permanent improvement fund's fund balance decreased $2,015,308 from a balance of $50,174,125 to $48,158,817.

- The business-type activities net position which include adult and community education, uniform school supplies, and customer services operations increased $1,440,190 on $3,096,551 in revenues and $1,656,361 in expenses.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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. In the case of the Center, the general fund and the permanent improvement funds are the most significant funds, and the only governmental funds reported as a major funds. The Center has reported the adult and community education fund as a major enterprise fund.

Reporting the Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the 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 statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fund's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the Center is divided into two distinct kinds of activities:

Governmental activities - Most of the Center's programs and services are reported here including instruction, support services, operation and maintenance of plant and extracurricular activities.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The Center's adult and community education, uniform school supplies and customer services operations are reported as business-type activities.

Reporting the Center's Most Significant Funds

Fund Financial Statements

The analysis of the Center's major governmental funds and the analysis of the Center's major and nonmajor enterprise funds begins on page 15. Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's major governmental funds are the general fund and permanent improvement fund the Center's only major enterprise fund is the adult and community education fund.

Governmental Funds

Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using 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.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the Center as a whole.

Reporting the Center's Fiduciary Responsibilities

The Center is the trustee, or fiduciary, for a scholarship program. This activity is presented as a private-purpose trust fund. The Center also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the Center's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Center's other financial statements because the assets cannot be utilized by the Center to finance its operations.

Notes to the Basic Financial Statements

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

Required Supplementary Information

The required supplementary information provides detailed information regarding the Center's proportionate share of the net pension liability and net OPEB liability of the retirement systems and a ten year schedule of Center's contributions to the retirement systems to fund pension and OPEB obligations.

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The Center as a Whole

The statement of net position provides the perspective of the Center as a whole. The table below provides a summary of the Center's net position for 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	Governmental Activities		Business-Type Activities	
	2018	Restated 2017	2018	Restated 2017
Assets				
Current and other assets	$ 71,983,884	$ 72,530,696	$ 1,163,649	$ 2,300,116
Capital assets, net	7,453,449	3,888,849	1,214,116	17,940
Total assets	79,437,333	76,419,545	2,377,765	2,318,056
Deferred outflows of resources				
Pension	5,275,451	4,382,954	1,113,773	1,012,242
OPEB	211,068	11,447	70,531	2,365
Total deferred outflows	5,486,519	4,394,401	1,184,304	1,014,607
Liabilities				
Current liabilities	2,406,752	1,976,674	59,937	153,817
Long-term liabilities:				
Due within one year	511,697	478,845	86,932	94,028
Due in more than one year:				
Net pension liability	17,659,299	23,555,833	3,228,562	4,348,063
Net OPEB liability	4,152,196	4,930,540	819,037	935,887
Other amounts	50,969,153	51,080,601	49,988	79,888
Total liabilities	75,699,097	82,022,493	4,244,456	5,611,683
Deferred inflows of resources				
Property taxes and PILOTS	11,257,429	10,341,189	-	-
Pensions	1,036,982	731,792	750,006	708,763
OPEB	458,965	-	115,200	-
Total deferred inflows	12,753,376	11,072,981	865,206	708,763
Net Position				
Net investment in capital assets	3,016,345	3,771,128	14,116	17,940
Restricted	2,776,720	238,322	-	-
Unrestricted (deficit)	(9,321,686)	(16,290,978)	(1,561,709)	(3,005,723)
Total net position (deficit)	$ (3,528,621)	$ (12,281,528)	$ (1,547,593)	$ (2,987,783)

The net pension liability (NPL) is the largest single liability reported by the Center at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School 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, along with the restatement of capital assets, also had the effect of restating net position at June 30, 2017, from a deficit of $5,438,611 to a deficit of $12,281,528 in the governmental activities and from a deficit of $2,062,318 to a deficit of $2,987,783 in the business-type activities.

Over time, net position can serve as a useful indicator of a Center's financial position. At June 30, 2018, the Center's liabilities plus deferred inflows of resources exceeded assets and deferred outflows by $5,076,214. Of this total, $2,776,720 is restricted in use.

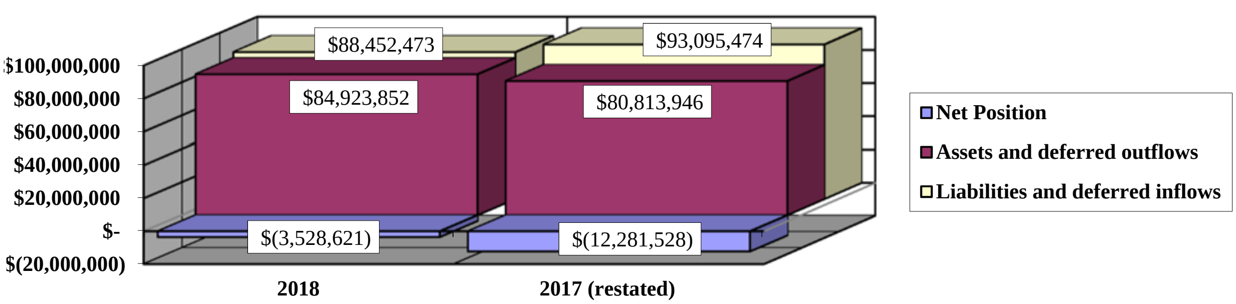
Current and other assets decreased as the Center continued work on the building renovation project resulting in decreased cash and investments. Capital assets increased due to construction in progress increasing as a result of the renovation project. Current liabilities increased primarily due to contracts payable related to the renovation project. Long-term liabilities decreased as a result of a decrease in the net pension liability and net OPEB liability discussed above. This decrease is outside of the control of the Center. The Center contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions to Center employees, not the Center.

At year-end, capital assets represented 10.59% of total assets. Capital assets include land, buildings and improvements, furniture and equipment, vehicles, and construction in progress. The net investment in capital assets at June 30, 2018, was $3,016,345. 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.

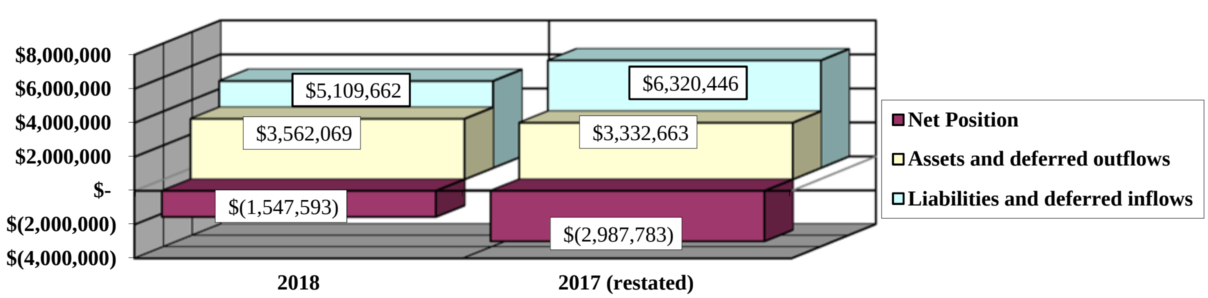
A portion of the Center's net position, $2,776,720, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of $10,883,395. Of the unrestricted net position, a deficit of $9,321,686 is reported in the governmental activities and a deficit of $1,561,709 is reported in the business type activities.

The graphs below show the assets, liabilities plus deferred inflows and net position of the governmental activities and business-type activities at June 30, 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

Governmental – Net Position



Business-Type – Net Position



The table below shows the change in net position for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Revenues						
Program revenues:						
Charges for services and sales	$ 103,136	$ 78,549	$ 2,647,738	$ 2,681,215	$ 2,750,874	$ 2,759,764
Operating grants and contributions	2,188,300	2,170,835	448,349	460,834	2,636,649	2,631,669
General revenues:						
Property taxes	12,560,445	10,584,756	-	-	12,560,445	10,584,756
Payments in lieu of taxes	192,405	113,876	-	-	192,405	113,876
Grants and entitlements	3,136,866	2,967,809	-	-	3,136,866	2,967,809
Investment earnings	759,770	200,846	-	-	759,770	200,846
Other	120,127	86,366	464	-	120,591	86,366
Total revenues	19,061,049	16,203,037	3,096,551	3,142,049	22,157,600	19,345,086
Expenses						
Program expenses:						
Instruction:						
Regular	28,938	6,029	-	-	28,938	6,029
Vocational	3,050,963	7,247,146	-	-	3,050,963	7,247,146
Adult/continuing	192,760	206,409	-	-	192,760	206,409
Other	-	26,833	-	-	-	26,833
Support services:						
Pupil	791,029	1,861,581	-	-	791,029	1,861,581
Instructional staff	712,090	1,331,374	-	-	712,090	1,331,374
Board of education	126,109	184,092	-	-	126,109	184,092
Administration	604,840	1,234,341	-	-	604,840	1,234,341
Fiscal	534,725	762,194	-	-	534,725	762,194
Business	77,599	134,004	-	-	77,599	134,004
Operations and maintenance	985,245	1,460,535	-	-	985,245	1,460,535
Pupil transportation	69,411	35,675	-	-	69,411	35,675
Central	1,065,593	1,378,628	-	-	1,065,593	1,378,628
Operation of non-instructional services	42,180	43,752	-	-	42,180	43,752
Extracurricular activities	36,972	53,218	-	-	36,972	53,218
Interest and fiscal charges	1,989,688	1,280,910	-	-	1,989,688	1,280,910
Uniform school supplies	-	-	100,277	106,354	100,277	106,354
Customer services	-	-	254,931	271,938	254,931	271,938
Adult and community education	-	-	1,301,153	2,769,118	1,301,153	2,769,118
Total expenses	10,308,142	17,246,721	1,656,361	3,147,410	11,964,503	20,394,131
Changes in net position	8,752,907	(1,043,684)	1,440,190	(5,361)	10,193,097	(1,049,045)
Net position (deficit) at beginning of year	(12,281,528)	N/A	(2,987,783)	N/A	(15,269,311)	N/A
Net position (deficit) at end of year	$ (3,528,621)	$ (12,281,528)	$ (1,547,593)	$ (2,987,783)	$ (5,076,214)	$ (15,269,311)

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 $11,447 and $2,365 in the governmental and business-type activities, respectively, computed under GASB 45. GASB 45 required recognizing OPEB 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 $497,685 in the governmental activities and $64,898 in the business-type activities. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2018 program expenses under GASB 75	$ 10,308,142	$ 1,656,361
Negative OPEB expense under GASB 75	497,685	64,898
2018 contractually required contributions	21,315	4,918
Adjusted 2018 program expenses	10,827,142	1,726,177
Total 2017 program expenses under GASB 45	17,246,721	3,147,410
Decrease in program expenses not related to OPEB	$ (6,419,579)	$ (1,421,233)

Expenses of the governmental activities decreased $6,938,579 or 40.23%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the Center reported ($5,259,048) in pension expense and ($497,685) in OPEB expense mainly due to these benefit changes by the retirement systems. Fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years. Pension expense is a component of program expenses reported on the statement of activities. To assess fluctuations in program expenses, the increase or decrease in pension expense should be factored into the analysis. Pension expense, by function, for 2018 and 2017 can be seen on the following page.

Governmental activities:	2018 Pension Expense	2017 Pension Expense	Increase (Decrease)
Program expenses:			
Instruction:			
Vocational	$ (2,646,947)	$ 1,048,141	$ (3,695,088)
Adult/continuing	(132,558)	30,005	(162,563)
Other	-	5,114	(5,114)
Support services:			
Pupil	(650,310)	257,936	(908,246)
Instructional staff	(403,267)	176,708	(579,975)
Board of education	(4,891)	2,171	(7,062)
Administration	(474,700)	175,285	(649,985)
Fiscal	(196,372)	71,833	(268,205)
Business	(34,997)	14,046	(49,043)
Operations and maintenance	(358,290)	144,050	(502,340)
Central	(349,825)	139,661	(489,486)
Operation of non-instructional services:			
Extracurricular activities	(6,891)	2,189	(9,080)
Total governmental activities	$ (5,259,048)	$ 2,067,139	$ (7,326,187)
Business-type activities:			
Customer services	$ 1,677	$ 1,205	$ 472
Adult education	(955,670)	330,325	(1,285,995)
Total business-type activities	$ (953,993)	$ 331,530	$ (1,285,523)
Total pension expense	$ (6,213,041)	$ 2,398,669	$ (8,611,710)

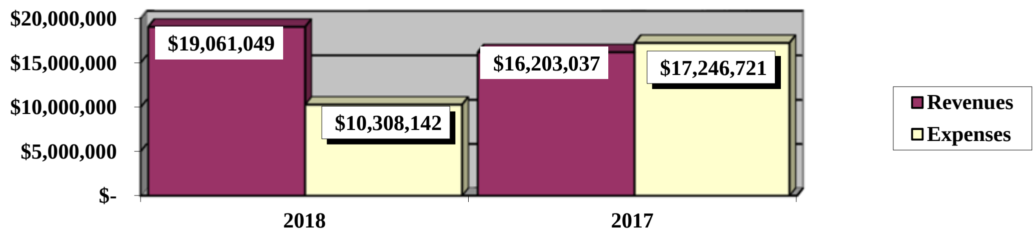
Governmental Activities

For fiscal year 2018, the net position of the Center's governmental activities increased $8,752,907. Total governmental expenses of $10,308,142 were offset by program revenues of $2,291,436 and general revenues of $16,769,613. Program revenues supported 22.23% of the total governmental expenses.

General revenues increased $2,815,960. Property tax revenue increased due to fluctuations in the amount of taxes collected and available for advance at year-end from the Cuyahoga County Fiscal Officer. Tax advances available at June 30, 2018, 2017 and 2016 were $1,732,954, $2,250,812 and $2,992,539, respectively. The tax collected and available for advance can vary depending upon when the tax bills are sent. General revenues – unrestricted grants and entitlements increased due to more unrestricted transitional aid guarantee funding from the State of Ohio through Foundation in fiscal year 2018 versus 2017.

The graph below presents the Center's governmental activities revenue and expenses for fiscal year 2018 and 2017.

Governmental Activities - Revenues and Expenses



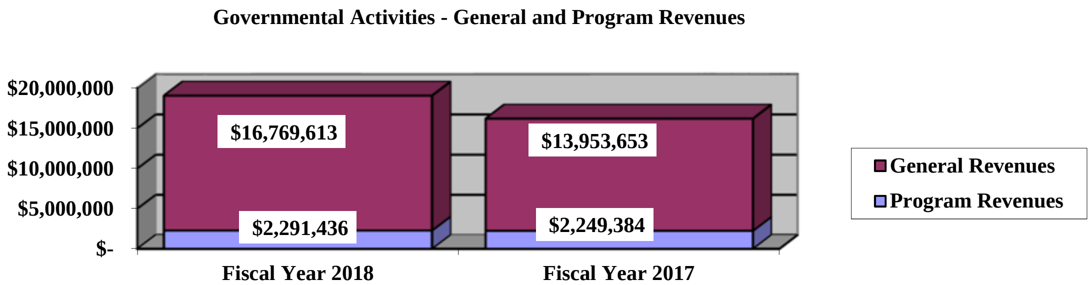
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2018 and 2017. It identifies the cost of these services supported by tax and unrestricted State grant revenues.

Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program expenses:				
Instruction:				
Regular	$ 28,938	$ (31,188)	$ 6,029	$ (31,721)
Vocational	3,050,963	1,699,862	7,247,146	5,801,613
Adult/continuing	192,760	(140,519)	206,409	30,262
Other	-	-	26,833	26,833
Support services:				
Pupil	791,029	390,039	1,861,581	1,597,799
Instructional staff	712,090	566,377	1,331,374	1,080,898
Board of education	126,109	126,109	184,092	184,092
Administration	604,840	604,840	1,234,341	1,234,341
Fiscal	534,725	534,725	762,194	762,194
Business	77,599	77,599	134,004	134,004
Operations and maintenance	985,245	985,018	1,460,535	1,444,064
Pupil transportation	69,411	69,411	35,675	35,675
Central	1,065,593	1,065,593	1,378,628	1,319,403
Operation of non-instructional services	42,180	42,180	43,752	43,752
Extracurricular activities	36,972	36,972	53,218	53,218
Interest and fiscal charges	1,989,688	1,989,688	1,280,910	1,280,910
Total expenses	$ 10,308,142	$ 8,016,706	$ 17,246,721	$ 14,997,337

The dependence upon tax revenues during fiscal year 2018 for governmental activities is apparent, as 46.69% of 2018 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.77%. The Center's taxpayers and unrestricted grants and entitlements from the State of Ohio, are the primary support for Center students.

The graph below presents the Center's governmental activities revenue for fiscal years 2018 and 2017.



Business-type Activities

Business-type activities include adult and community education, uniform school supplies and customer services operations. These programs had revenues of $3,096,551 and expenses of $1,656,361 in fiscal year 2018. Management reviews these programs to develop policies to allow these services to become self-supporting.

The Center's largest business-type activity is adult and community education operations. These operations had $2,328,083 in charges for services and sales, $448,349 in operating grants and contributions, and had total expenses of $1,301,153. Adult and community education revenues were sufficient to support expenses by $1,471,407. The increase in net position is a result of a decrease in the net pension liability. This decrease is outside of the control of the Center. The Center contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions to Center employees, not the Center.

The Center's Funds

Governmental Funds

The Center's governmental funds (as presented on the Balance Sheet on page 22) reported a combined fund balance of $57,802,782, which is less than last year's fund total of $60,247,518.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Change
General	$ 9,561,358	$ 10,025,753	$ (464,395)
Permanent improvement	48,158,817	50,174,125	(2,015,308)
Other governmental	82,607	47,640	34,967
Total	$ 57,802,782	$ 60,247,518	$ (2,444,736)

General Fund

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2018 Amount	2017 Amount	Increase (Decrease)	Percentage Change
Revenues				
Property taxes and payment in lieu of taxes	$ 9,604,269	$ 8,405,534	$ 1,198,735	14.26 %
Intergovernmental	4,174,555	4,284,636	(110,081)	(2.57) %
Investment earnings	(60,891)	192,368	(253,259)	(131.65) %
Tuition and fees	72,952	29,370	43,582	148.39 %
Other revenues	64,689	103,926	(39,237)	(37.75) %
Total	$ 13,855,574	$ 13,015,834	$ 839,740	6.45 %

Property tax revenue increased primarily due to fluctuations in the amount of taxes collected and available for advance at year-end from the Cuyahoga County Fiscal Officer. Tax advances available for the general fund at June 30, 2018, 2017, and 2016 were $1,332,502, $1,730,693, and $2,992,539, respectively. Intergovernmental revenues decreased as career tech education funding from the State of Ohio through Foundation decreased from the prior year. Investment earnings decreased due to decreases in the fair value of the Center's investments. The Center intends to hold investments to maturity to reduce interest rate risk. Tuition revenues increased due hosting the Camp Discovery Program in fiscal year 2018. Other revenues decreased due to a decrease in the amount of refunds and reimbursements received.
The table that follows assists in illustrating the expenditures of the general fund.

	2018 Amount	2017 Amount	Increase (Decrease)	Percentage Change
Expenditures				
Instruction	$ 6,462,753	$ 6,434,361	$ 28,392	0.44 %
Support services	7,705,865	7,303,727	402,138	5.51 %
Operation of non-instructional services	41,385	43,336	(1,951)	(4.50) %
Extracurricular activities	46,148	52,322	(6,174)	(11.80) %
Facilities acquisition and construction	12,614	2,600	10,014	385.15 %
Debt service	51,204	446,598	(395,394)	(88.53) %
Total	$ 14,319,969	$ 14,282,944	$ 37,025	0.26 %

Overall expenditures of the general fund remained comparable to the prior fiscal year, increasing less than one percent.

Permanent Improvement Fund

The permanent improvement fund had $4,121,012 in revenues and $6,136,320 in expenditures. During fiscal 2018, the permanent improvement fund's fund balance decreased $2,015,308 from $50,174,125 to $48,158,817 as the Center began making debt service payments on the COPS.

Nonmajor Governmental Funds

The nonmajor governmental funds had $975,417 in revenues and $940,450 in expenditures. During fiscal 2018, the nonmajor governmental fund's fund balance increased $34,967 from $47,640 to $82,607.

Enterprise Funds

The Center's enterprise funds reported operating revenues of $2,648,202, operating expenses of $1,656,361, and nonoperating revenues of $448,349. Net position of the enterprise funds increased $1,440,190 from a deficit of $2,987,783 to a deficit of $1,547,593. The adult and community education fund reported operating income of $1,027,394 and a positive change in net position of $1,471,871.

The uniform school supplies fund (a nonmajor enterprise fund) reported both an operating loss and a decrease in change in net position of $1,647. The customer services fund (a nonmajor enterprise fund) reported both an operating loss and a decrease in change in net position of $33,906 and $30,034, respectively.

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.

For the General Fund, the original and final budgeted revenue and other financing sources were $14,158,047. Actual revenue and other financing sources were $14,474,463. The difference between the final budgeted revenues and the actual revenues and other financing sources was $316,416.

Total actual expenditures and other financing uses on the budget basis (cash outlays plus encumbrances) were $14,624,792. This amount was $720,662 less than the final budgeted amounts due mainly to instruction and support services expenses being less than expected. The final budgeted expenditures and other financing uses were left the same as the original budgeted amounts. Overall, fund balance on the budget basis decreased $150,329 from the prior year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2018, the Center had $8,667,565 invested in land, buildings and improvements, furniture and equipment, vehicles, and construction in progress. Of this total, $7,453,449 was reported in governmental activities and $1,214,116 was reported in business-type activities. The following table shows fiscal 2018 balances compared to 2017. Capital assets at June 30, 2017 have been restated as described in Note 3.A.

Capital Assets at June 30 (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Land	$ 261,490	$ 261,490	$ -	$ -	$ 261,490	$ 261,490
Construction in progress	3,976,081	278,198	1,200,000	-	5,176,081	278,198
Buildings and improvements	2,516,318	2,627,628	-	-	2,516,318	2,627,628
Furniture and equipment	603,543	654,316	14,116	17,940	617,659	672,256
Vehicles	96,017	67,217	-	-	96,017	67,217
Total	$ 7,453,449	$ 3,888,849	$ 1,214,116	$ 17,940	$ 8,667,565	$ 3,906,789

Overall capital assets, net of accumulated depreciation, increased $4,760,776 from fiscal year 2017 as restated to fiscal year 2018. The Center acquired $4,897,883 capital assets as construction in progress and had no capital asset disposals in fiscal year 2018. The Center reported total depreciation expense of $207,824 for fiscal year 2018. See Note 7 to the basic financial statements for more detail on the Center's capital assets.

Debt Administration

At June 30, 2018, the Center has $47,100,000 in long-term debt obligations outstanding. Of this total, all is due within greater than one year. The following table summarizes outstanding long-term debt:

Outstanding Debt, at Year End

Long Term Debt:	Governmental Activities 2018	Governmental Activities 2017
Capital lease obligation	$ -	$ 50,466
Certificates of participation	47,100,000	47,100,000
Total	$ 47,100,000	$ 47,150,466

Payments of principal and interest on the capital lease are made from the general fund. An additional principal payment was made from the permanent improvement fund during the fiscal year. See Note 8 to the basic financial statements for more detail on the Center's long-term obligations.

Center Outlook

The biggest source of revenue for the Center is the local property taxes. Property devaluations over the past seven years have kept this line relatively flat. The recent reappraisal should start to reflect property values that are very slowly starting to rebound and will offer very minimal growth over the next five years.

The Center continues to be fiscally responsible and changes in expenditures have been aggressively managed over the past three years to ensure that we continue to avoid deficit spending.

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 any questions about this report or need additional information contact: Mike Robinson, Treasurer, Polaris Career Center, 7285 Old Oak Boulevard, Middleburg Heights, Ohio 44130 or email at mrobinso@polaris.edu.

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	$ 58,074,175	$ 1,123,021	$ 59,197,196
Receivables:			
Property taxes	13,282,528	-	13,282,528
Payment in lieu of taxes	223,154	-	223,154
Accounts	314	40,628	40,942
Accrued interest	29,959	-	29,959
Intergovernmental	278,878	-	278,878
Prepayments	76,105	-	76,105
Materials and supplies inventory	18,771	-	18,771
Capital assets:			
Nondepreciable capital assets	4,237,571	1,200,000	5,437,571
Depreciable capital assets, net	3,215,878	14,116	3,229,994
Capital assets, net	7,453,449	1,214,116	8,667,565
Total assets	79,437,333	2,377,765	81,815,098
Deferred outflows of resources:			
Pension (Note 15)	5,275,451	1,113,773	6,389,224
OPEB (Note 16)	211,068	70,531	281,599
Total deferred outflows of resources	5,486,519	1,184,304	6,670,823
Liabilities:			
Accounts payable	131,707	3,624	135,331
Contracts payable	739,221	-	739,221
Accrued wages and benefits payable	1,004,129	50,057	1,054,186
Intergovernmental payable	176,205	6,256	182,461
Accrued interest payable	355,490	-	355,490
Long-term liabilities:			
Due within one year	511,697	86,932	598,629
Due in more than one year:			
Net pension liability (Note 15)	17,659,299	3,228,562	20,887,861
Net OPEB liability (Note 16)	4,152,196	819,037	4,971,233
Other amounts due in more than one year	50,969,153	49,988	51,019,141
Total liabilities	75,699,097	4,244,456	79,943,553
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	11,034,275	-	11,034,275
Payment in lieu of taxes levied for the next fiscal year	223,154	-	223,154
Pension (Note 15)	1,036,982	750,006	1,786,988
OPEB (Note 16)	458,965	115,200	574,165
Total deferred inflows of resources	12,753,376	865,206	13,618,582
Net position:			
Net investment in capital assets	3,016,345	14,116	3,030,461
Restricted for:			
Capital projects	2,633,499	-	2,633,499
Locally funded programs	82,635	-	82,635
Federally funded programs	60,586	-	60,586
Unrestricted (deficit)	(9,321,686)	(1,561,709)	(10,883,395)
Total net position (deficit)	$ (3,528,621)	$ (1,547,593)	$ (5,076,214)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues	
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**
Governmental activities:			
Instruction:			
Regular	$ 28,938	$ -	$ 60,126
Vocational	3,050,963	102,909	1,248,192
Adult/continuing.	192,760	-	333,279
Support services:			
Pupil.	791,029	-	400,990
Instructional staff	712,090	-	145,713
Board of education	126,109	-	-
Administration.	604,840	-	-
Fiscal.	534,725	-	-
Business.	77,599	-	-
Operations and maintenance	985,245	227	-
Pupil transportation.	69,411	-	-
Central	1,065,593	-	-
Operation of non-instructional services . .	42,180	-	-
Extracurricular activities.	36,972	-	-
Interest and fiscal charges	1,989,688	-	-
Total governmental activities	10,308,142	103,136	2,188,300
Business-type activities:			
Uniform school supplies.	100,277	98,630	-
Customer Services	254,931	221,025	3,872
Adult education	1,301,153	2,328,083	444,477
Total business-type activities	1,656,361	2,647,738	448,349
Totals	$ 11,964,503	$ 2,750,874	$ 2,636,649

General revenues:
Property taxes levied for:
General purposes . . . .
Capital outlay. . . . .
Payments in lieu of taxes. . . . .
Grants and entitlements not restricted
to specific programs . . . .
Investment earnings . . . .
Increase in fair value of investments . . . . .
Miscellaneous . . . .

Total general revenues . . . .

Change in net position . . . .

Net position (deficit)
at beginning of year (restated) . . . .

Net position (deficit) at end of year. . . . . .

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ 31,188	$ -	$ 31,188
(1,699,862)	-	(1,699,862)
140,519	-	140,519
(390,039)	-	(390,039)
(566,377)	-	(566,377)
(126,109)	-	(126,109)
(604,840)	-	(604,840)
(534,725)	-	(534,725)
(77,599)	-	(77,599)
(985,018)	-	(985,018)
(69,411)	-	(69,411)
(1,065,593)	-	(1,065,593)
(42,180)	-	(42,180)
(36,972)	-	(36,972)
(1,989,688)	-	(1,989,688)
(8,016,706)	-	(8,016,706)
-	(1,647)	(1,647)
-	(30,034)	(30,034)
-	1,471,407	1,471,407
-	1,439,726	1,439,726
(8,016,706)	1,439,726	(6,576,980)
9,457,489	-	9,457,489
3,102,956	-	3,102,956
192,405	-	192,405
3,136,866	-	3,136,866
743,482	-	743,482
16,288	-	16,288
120,127	464	120,591
16,769,613	464	16,770,077
8,752,907	1,440,190	10,193,097
(12,281,528)	(2,987,783)	(15,269,311)
$ (3,528,621)	$ (1,547,593)	$ (5,076,214)

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	$ 9,342,456	$ 48,497,272	$ 82,635	$ 57,922,363
Receivables:				
Property taxes	10,032,910	3,249,618	-	13,282,528
Payment in lieu of taxes	223,154	-	-	223,154
Accounts	-	314	-	314
Accrued interest	29,959	-	-	29,959
Interfund loans	124,824	-	-	124,824
Intergovernmental	-	-	249,067	249,067
Prepayments	66,718	-	-	66,718
Materials and supplies inventory	18,771	-	-	18,771
Total assets	$ 19,838,792	$ 51,747,204	$ 331,702	$ 71,917,698
Liabilities:				
Accounts payable	$ 73,058	$ -	$ 58,649	$ 131,707
Contracts payable	-	739,221	-	739,221
Accrued wages and benefits payable	999,438	-	4,691	1,004,129
Compensated absences payable	105,171	-	-	105,171
Intergovernmental payable	176,205	-	-	176,205
Interfund loans payable	-	-	124,824	124,824
Total liabilities	1,353,872	739,221	188,164	2,281,257
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	8,311,179	2,723,096	-	11,034,275
Payment in lieu of taxes levied for the next fiscal year	223,154	-	-	223,154
Delinquent property tax revenue not available	389,229	126,070	-	515,299
Intergovernmental revenue not available	-	-	60,931	60,931
Total deferred inflows of resources	8,923,562	2,849,166	60,931	11,833,659
Fund balances:				
Nonspendable:				
Materials and supplies inventory	18,771	-	-	18,771
Prepaids	66,718	-	-	66,718
Restricted:				
Capital improvements	-	48,158,817	-	48,158,817
Vocational education	-	-	8,603	8,603
Other purposes	-	-	82,635	82,635
Assigned:				
Permanent improvements	3,695	-	-	3,695
Student instruction	33,130	-	-	33,130
Student and staff support	243,232	-	-	243,232
Extracurricular activities	757	-	-	757
Facilities acquisition and construction	11,163	-	-	11,163
Subsequent year's appropriations	1,041,953	-	-	1,041,953
Unassigned (deficit)	8,141,939	-	(8,631)	8,133,308
Total fund balances	9,561,358	48,158,817	82,607	57,802,782
Total liabilities, deferred inflows and fund balances	$ 19,838,792	$ 51,747,204	$ 331,702	$ 71,917,698

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total governmental fund balances		$ 57,802,782
Amounts reported for governmental activities on 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.		7,453,449
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Delinquent property taxes receivable	$ 515,299	
Intergovernmental receivable	60,931	
Total		576,230
An internal service fund is used by management to charge the costs of worker's compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		191,010
Unamortized premiums on bonds issued are not recognized in the funds.		(2,988,492)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(355,490)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in the governmental funds.		
Deferred outflows - Pension	5,275,451	
Deferred Inflows - Pension	(1,036,982)	
Net pension liability	(17,659,299)	
Total		(13,420,830)
The net OPEB liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in the governmental funds.		
Deferred outflows - OPEB	211,068	
Deferred Inflows - OPEB	(458,965)	
Net OPEB liability	(4,152,196)	
Total		(4,400,093)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Certificates of participation	(47,100,000)	
Compensated absences	(1,287,187)	
Total		(48,387,187)
Net position of governmental activities		$ (3,528,621)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	$ 9,411,864	$ 3,086,337	$ -	$ 12,498,201
Payment in lieu of taxes	192,405	-	-	192,405
Tuition	72,952	-	-	72,952
Earnings on investments	178,713	564,769	-	743,482
Classroom materials and fees	29,957	-	-	29,957
Rental income	227	-	-	227
Contributions and donations	-	-	60,126	60,126
Other local revenues	34,505	85,622	-	120,127
Intergovernmental - state	4,174,555	128,392	137,600	4,440,547
Intergovernmental - federal	-	-	777,691	777,691
Increase (decrease) in fair value of investments	(239,604)	255,892	-	16,288
Total revenues	13,855,574	4,121,012	975,417	18,952,003
Expenditures:				
Current:				
Instruction:				
Regular	9,726	-	19,212	28,938
Vocational	6,417,317	1,108,145	75,297	7,600,759
Adult/continuing	35,710	-	332,300	368,010
Support services:				
Pupil	1,315,663	-	367,712	1,683,375
Instructional staff	1,098,035	-	145,929	1,243,964
Board of education	132,622	-	-	132,622
Administration	1,237,175	-	-	1,237,175
Fiscal	761,682	27,033	-	788,715
Business	122,140	-	-	122,140
Operations and maintenance	1,430,019	-	-	1,430,019
Pupil transportation	98,211	-	-	98,211
Central	1,510,318	-	-	1,510,318
Operation of non-instructional services:				
Other non-instructional services	41,385	-	-	41,385
Extracurricular activities	46,148	-	-	46,148
Facilities acquisition and construction	12,614	2,589,738	-	2,602,352
Debt service:				
Principal retirement	50,466	-	-	50,466
Interest and fiscal charges	738	2,411,404	-	2,412,142
Total expenditures	14,319,969	6,136,320	940,450	21,396,739
Net change in fund balances	(464,395)	(2,015,308)	34,967	(2,444,736)
Fund balances at beginning of year	10,025,753	50,174,125	47,640	60,247,518
Fund balances at end of year	$ 9,561,358	$ 48,158,817	$ 82,607	$ 57,802,782

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds			$	(2,444,736)
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.				
Capital asset additions	$	3,768,600		
Current year depreciation		(204,000)		
Total				3,564,600
Revenues in the statement of activities that do not provide cuurent financial resources are not reported as revenues in the funds.				
Delinquent property tax revenue		62,244		
Intergovernmental revenue		46,802		
Total				109,046
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statemet of net position. Principal payments during the year were:				50,466
In the statement of activities, interest is accrued on outstanding certificates of perticipation, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:				
Decrease in accrued interest payable		316,978		
Amortization of certificates of participation premium		105,476		
Total				422,454
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.				17,921
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.				1,224,793
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.				5,259,048
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.				21,315
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.				497,685
An internal service fund used by management to charge the cost of workers' compensation to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.				30,315
Change in net position of governmental activities			$	8,752,907

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
From local sources:				
Property taxes	$ 9,595,604	$ 9,595,604	$ 9,810,054	$ 214,450
Payment in lieu of taxes	192,405	192,405	192,405	-
Tuition	71,356	71,356	72,951	1,595
Earnings on investments	166,773	166,773	170,500	3,727
Classroom materials and fees	29,302	29,302	29,957	655
Rental income	222	222	227	5
Other local revenues	31,343	31,343	36,344	5,001
Intergovernmental - state	4,071,042	4,071,042	4,162,025	90,983
Total revenues	14,158,047	14,158,047	14,474,463	316,416
Expenditures:				
Current:				
Instruction:				
Regular	3,662	3,662	3,500	162
Vocational	6,780,485	6,780,485	6,481,186	299,299
Adult/continuing	37,359	37,359	35,710	1,649
Support services:				
Pupil	1,381,123	1,381,123	1,320,159	60,964
Instructional staff	1,165,275	1,165,275	1,113,839	51,436
Board of education	162,014	162,014	154,863	7,151
Administration	1,308,446	1,308,446	1,250,690	57,756
Fiscal	826,372	826,372	789,895	36,477
Business	127,780	127,780	122,140	5,640
Operations and maintenance	1,593,770	1,593,770	1,523,419	70,351
Pupil transportation	122,353	122,353	116,952	5,401
Central	1,609,993	1,609,993	1,538,926	71,067
Other operation of non-instructional services	48,073	48,073	45,951	2,122
Extracurricular activities	50,306	50,306	48,085	2,221
Facilities acquisition and construction	78,443	78,443	74,980	3,463
Total expenditures	15,295,454	15,295,454	14,620,295	675,159
Excess of revenues over (under) expenditures	(1,137,407)	(1,137,407)	(145,832)	991,575
Other financing sources (uses):				
Transfers (out)	(25,000)	(25,000)	(2,000)	23,000
Advances (out)	(25,000)	(25,000)	(2,497)	22,503
Total other financing sources (uses)	(50,000)	(50,000)	(4,497)	45,503
Net change in fund balance	(1,187,407)	(1,187,407)	(150,329)	1,037,078
Fund balance at beginning of year	9,189,394	9,189,394	9,189,394	-
Prior year encumbrances appropriated	145,454	145,454	145,454	-
Fund balance at end of year	$ 8,147,441	$ 8,147,441	$ 9,184,519	$ 1,037,078

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Adult and Community Education	Nonmajor Enterprise Funds	Total Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Assets:				
Current assets:				
Equity in pooled cash and investments	$ 973,296	$ 149,725	$ 1,123,021	$ 151,812
Receivables:				
Accounts	40,628	-	40,628	-
Intergovernmental	-	-	-	29,811
Prepayments	-	-	-	9,387
Total current assets	1,013,924	149,725	1,163,649	191,010
Noncurrent assets:				
Nondepreciable capital assets	1,200,000	-	1,200,000	-
Depreciable capital assets, net	14,116	-	14,116	-
Total capital assets, net	1,214,116	-	1,214,116	-
Total assets	2,228,040	149,725	2,377,765	191,010
Deferred outflows of resources:				
Pension (Note 15)	1,106,287	7,486	1,113,773	-
OPEB (Note 16)	68,794	1,737	70,531	-
Total deferred outflows of resources	1,175,081	9,223	1,184,304	-
Liabilities:				
Accounts payable	3,624	-	3,624	-
Accrued wages and benefits	50,057	-	50,057	-
Compensated absences payable - current	86,932	-	86,932	-
Intergovernmental payable	6,256	-	6,256	-
Total current liabilities	146,869	-	146,869	-
Long-term liabilities:				
Compensated absences payable	49,988	-	49,988	-
Net pension liability (Note 15)	3,219,245	9,317	3,228,562	-
Net OPEB liability (Note 16)	815,127	3,910	819,037	
Total long-term liabilities	4,084,360	13,227	4,097,587	-
Total liabilities	4,231,229	13,227	4,244,456	-
Deferred inflows of resources:				
Pension (Note 15)	749,962	44	750,006	-
OPEB (Note 16)	114,819	381	115,200	-
Total deferred inflows of resources	864,781	425	865,206	-
Net position:				
Investment in capital assets	14,116	-	14,116	-
Unrestricted (deficit)	(1,707,005)	145,296	(1,561,709)	191,010
Total net position (deficit)	$ (1,692,889)	$ 145,296	$ (1,547,593)	$ 191,010

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Adult and Community Education	Nonmajor Enterprise Funds	Total Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Operating revenues:				
Charges for services.	$ -	$ 221,025	$ 221,025	$ 30,256
Tuition and fees.	2,328,083	-	2,328,083	-
Sales.	-	98,630	98,630	-
Other	464	-	464	29,811
Total operating revenues	2,328,547	319,655	2,648,202	60,067
Operating expenses:				
Salaries	1,549,739	5,288	1,555,027	-
Fringe benefits	(756,328)	2,597	(753,731)	27,182
Purchased services.	255,343	-	255,343	2,570
Materials and supplies	247,396	341,265	588,661	-
Depreciation	3,824	-	3,824	-
Other.	1,179	6,058	7,237	-
Total operating expenses.	1,301,153	355,208	1,656,361	29,752
Operating income (loss)	1,027,394	(35,553)	991,841	30,315
Nonoperating revenues:				
Federal and State subsidies.	444,477	3,872	448,349	-
Change in net position	1,471,871	(31,681)	1,440,190	30,315
Net position (deficit)				
at beginning of year (restated)	(3,164,760)	176,977	(2,987,783)	160,695
Net position (deficit) at end of year . . .	$ (1,692,889)	$ 145,296	$ (1,547,593)	$ 191,010

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Adult and Community Education	Nonmajor Enterprise Funds	Total Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Cash flows from operating activities:				
Cash received from customers	$ 2,287,483	$ 319,655	$ 2,607,138	$ 30,256
Cash received from other operations	464	-	464	29,450
Cash payments to employees for services	(1,659,778)	(5,288)	(1,665,066)	-
Cash payments for employee benefits	(494,078)	(825)	(494,903)	(19,194)
Cash payments for purchased services	(269,544)	-	(269,544)	(2,570)
Cash payments for materials and supplies	(249,813)	(342,583)	(592,396)	-
Cash payments for other expenses	(1,179)	(6,058)	(7,237)	-
Net cash provided by (used in) operating activities	(386,445)	(35,099)	(421,544)	37,942
Cash flows from noncapital financing activities:				
Cash received from federal and state subsidies	444,477	-	444,477	-
Net cash provided by noncapital financing activities	444,477	-	444,477	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,200,000)	-	(1,200,000)	-
Net cash used in capital and related financing activities	(1,200,000)	-	(1,200,000)	-
Net increase (decrease) in cash and cash equivalents	(1,141,968)	(35,099)	(1,177,067)	37,942
Cash and cash equivalents at beginning of year	2,115,264	184,824	2,300,088	113,870
Cash and cash equivalents at end of year	$ 973,296	$ 149,725	$ 1,123,021	$ 151,812
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 1,027,394	$ (35,553)	$ 991,841	$ 30,315
Adjustments:				
Depreciation	3,824	-	3,824	-
Federal donated commodities	-	3,872	3,872	-
Changes in assets and liabilities:				
(Increase) in accounts receivable	(40,600)	-	(40,600)	-
(Increase) in intergovernmental receivable	-	-	-	(361)
Decrease in prepayments	-	-	-	7,988
(Decrease) in accounts payable	(16,618)	(5,190)	(21,808)	-
(Decrease) in accrued wages and benefits	(58,437)	-	(58,437)	-
(Decrease) in intergovernmental payable	(13,635)	-	(13,635)	-
(Decrease) in compensated absences payable	(36,996)	-	(36,996)	-
Increase (decrease) in net pension liability	(1,124,249)	4,748	(1,119,501)	-
Increase (decrease) in net OPEB liability	(118,991)	2,141	(116,850)	-
(Increase) in deferred outflows - pension	(97,716)	(3,815)	(101,531)	-
(Increase) in deferred outflows - OPEB	(66,439)	(1,727)	(68,166)	-
Increase in deferred inflows - pension	41,199	44	41,243	-
Increase in deferred inflows - OPEB	114,819	381	115,200	-
Net cash provided by (used in) operating activities	$ (386,445)	$ (35,099)	$ (421,544)	$ 37,942

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private-Purpose Trust	
	Special Trust	**Agency**
Assets:		
Equity in pooled cash and investments . . .	$ 8,260	$ 60,195
Receivables:		
Accounts	-	-
Total assets.	8,260	$ 60,195
Liabilities:		
Accounts payable.	-	$ 195
Due to students.	-	60,000
Total liabilities	-	$ 60,195
Net position:		
Held in trust for scholarships	8,260	
Total net position.	$ 8,260	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private-Purpose Trust
	Special Trust
Additions:	
Gifts and contributions	$ 138
Deductions:	
Scholarships awarded	1,851
Change in net position	(1,713)
Net position at beginning of year	9,973
Net position at end of year	$ 8,260

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE CAREER CENTER

The Polaris Career Center (the "Center") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The Center is a joint vocational Center as defined by Section 3311.18 of the Ohio Revised Code. The Center operates under a Board of Education consisting of seven members which is comprised of one board member from each of the elected boards of the participating districts. Members serve a two-year term except for one rotating member picked by the member districts to serve a one-year term. Berea City School District, Brooklyn City School District, Fairview Park City School District, North Olmsted City School District, Olmsted Falls City School District, and Strongsville City School District are the member districts. The Center employs 11 administrative and supervisory personnel, 58 certified employees and 50 non-certificated employees who provide services to 2,791 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

The following organizations are described due to their relationship to the Center.

JOINTLY GOVERNED ORGANIZATIONS

Connect

Connect, formerly known as the North Coast Council, is a jointly governed organization serving twenty-four school districts and two educational service centers. Connect was organized pursuant to Ohio Revised Code Chapter 167 as a regional council of governments for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among the member districts. Connect operates as an information technology center pursuant to ORC 3301.075. Each of the governments of these schools supports Connect based on a per pupil charge dependent upon the software packages used. The Center contributed $10,729 to Connect during fiscal year 2018. Connect is governed by a four-member Board of Directors consisting of the Superintendent of the Educational Service Center of Cuyahoga County, the Superintendent of the Educational Service Center of Lorain County, the Superintendent of the Educational Service Center of Medina County, and the Executive Director of the Ohio Schools Council. Financial information can be obtained by contacting the Treasurer at the Cuyahoga County Educational Service Center, who serves as fiscal agent, at 5700 West Canal Road, Valley View, Ohio 44125.

Ohio Schools Council Association

The Ohio Schools Council (Council) is a jointly governed organization among 161 school districts and career centers. The jointly governed organization was created by school districts and career centers for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Council's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to this representation on the Board. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2018, the Center paid $750 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The Center participates in the natural gas purchase program. This program allows the Center to purchase natural gas at reduced rates. Compass Energy has been selected as the supplier and program manager. There are currently 151 participants in the program including the Center. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

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

PUBLIC ENTITY RISK POOLS

Suburban Health Consortium
The Suburban Health Consortium (the "Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverages for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors shall be the governing body of the Consortium. The Board of Education of each Consortium Member shall appoint its Superintendent or such Superintendent's designee to be its representative of the Board of Directors. The officers of the Board of Directors shall consist of a Chairman, Vice-Chairman and Recording Secretary, who shall be elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium shall be exercised by or under the direction of the Board of Directors. The Board of Directors shall also set all premiums and other amounts to be paid by the Consortium Members, and the Board of Directors shall also have the authority to waive premiums and other payments. All members of the Board of Directors shall serve without compensation.

The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (Orange City School District). The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement. Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal.

Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal, a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from Mr. Todd Puster, Treasurer of the Orange City School District (the "Fiscal Agent") at 32000 Chagrin Blvd., Pepper Pike, Ohio 44124-5974.

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

Ohio School Boards Association Workers' Compensation Group Rating Program
The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or designee, serves as coordinator of the program. Each year, the participating members pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General Fund - The general fund is the general operating fund of the Center and is used to account for all financial resources except those required to be accounted for in another fund.

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

Nonmajor governmental funds of the Center are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes.

PROPRIETARY FUNDS

Proprietary funds focus on the determination of operating income, changes in net position, financial position, and cash flows. The Center's proprietary funds are enterprise funds and an internal service fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the Center's major enterprise fund:

Adult and Community Education Fund - This fund is used to account for all financial transactions made in connection with adult and community education classes.

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

The nonmajor enterprise funds of the Center account for uniform school supplies and customer service operations.

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Center, or to other governments, on a cost-reimbursement basis. The internal service fund of the Center accounts for a workers' compensation self-insurance program.

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. The Center's only trust fund is a private purpose trust which accounts for a program that provides college scholarship assistance to students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center's agency funds account for student activities and on-behalf monies collected and disbursed to others pertaining to federal pell grants, federal direct student loans and workers' compensation.

C. Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Center that are governmental and those that are considered business-type activities.

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

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

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

D. Measurement Focus

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

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Center finances and meets the cash flow needs of its proprietary fund activities.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the Center is sixty days after 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 (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes, payment in lieu of taxes, tuition, grants, and student fees.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Center, see Note 15 and Note 16 for deferred outflows of resources related the Center's net pension liability and net OPEB liability, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the Center unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the Center, see Note 15 and Note 16 for deferred inflows of resources related to the Center's net pension liability and net OPEB liability, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

Expenditures/Expenses - On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for principal and interest on general long-term debt, which is recorded when due.

F. Cash and Investments

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

During fiscal year 2018, the Center's investments included negotiable certificates of deposit (negotiable CDs), a U.S. Government money market mutual fund, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal Home Loan Bank (FHLB) securities, Federal National Mortgage Association (FNMA) securities, U.S. Treasury Bills, and investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). Except for investments in STAR Ohio, investments are reported at fair value which is based on quoted market prices.

During fiscal year 2018, the Center invested in STAR Ohio. 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 its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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

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

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to $178,713, which includes $62,207 assigned from other Center funds.

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

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

G. Inventory

Within the basic financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories consist of materials and supplies held for consumption.

H. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepayments using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Center maintains a capitalization threshold of $5,000. The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	50 years	N/A
Buildings and Improvements	15 - 30 Years	N/A
Furniture and Equipment	5 - 25 Years	5 - 25 Years
Vehicles	5 - 15 Years	N/A

J. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. 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 and after nonoperating revenues/expenses in proprietary funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund loan receivables and payables. These interfund balances between governmental funds are eliminated for reporting on the statement of net position.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Center's termination policy. The Center records a liability for accumulated unused sick leave for employees that are age 52 or older with five or more years of current service with the Center.

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

The entire compensated absence liability is reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence or employee resignations and retirements. These amounts are recorded as compensated absences payable in the fund from which the employee who has accumulated unpaid leave is paid.

M. Accrued Liabilities and Long-term Obligations

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims for judgments, compensated absences and net pension liabilities paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term certificates of participation are recognized as a liability on the fund financial statements.

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through 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 first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Center Board of Education. In the general fund, assigned amounts represents intended uses established by the Center Board of Education or by State statute. The Center's Board of Education has authorized the Treasurer to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated.

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

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Center, these revenues are sales for uniform school supplies, customer services and adult and community education, and charges for services for the internal service fund. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

Q. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. Any budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels.

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

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

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

R. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Encumbrances outstanding at year end are reported as assigned in the general fund only, since they do not constitute expenditures or liabilities.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

S. Pensions/Other Postemployment Benefits (OPEB)

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Nether type of transaction occurred during fiscal year 2018.

U. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

V. Fair Value Measurements

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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2018, the Center has implemented GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*", GASB Statement No. 81 "*Irrevocable Split-Interest Agreements*" GASB Statement No. 85, "*Omnibus 2017*" and GASB Statement No. 86, "*Certain Debt Extinguishments*".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the Center's postemployment benefit plan disclosures, as presented in Note 16 to the basic financial statements and added required supplementary information which is presented on pages 80 - 93.

GASB Statement No. 81 improves the 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. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Center.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the Center.

GASB Statement No. 86 improves 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. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the Center.

A net position restatement is required in order to implement GASB Statement No 75 and to properly report capital assets. Capital assets have been restated to correct errors and omissions previously reported based upon review by the Center. The governmental activities and business-type activities at July 1, 2017 have been restated as follows:

	Governmental Activities	Adult and Community Education	Nonmajor Enterprise Funds	Buisness-type Activities
Net position as previously reported	$ (5,438,611)	$ (2,243,079)	$ 180,761	$ (2,062,318)
Adjustment to capital assets	(1,923,824)	10,082	(2,025)	8,057
Deferred outflows - payments subsequent to measurement date	11,447	2,355	10	2,365
Net OPEB liability	(4,930,540)	(934,118)	(1,769)	(935,887)
Restated net position at July 1, 2017	$ (12,281,528)	$ (3,164,760)	$ 176,977	$ (2,987,783)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

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. The restatement had no effect on fund balances.

B. Deficit Fund Balances/Net Position

Fund balances/net position at June 30, 2018 included the following individual fund deficits:

Nonmajor governmental funds	Deficit
Adult basic education	$ 8,631
Major enterprise fund	
Adult and Community Education	1,692,889

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

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

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

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest 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, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Center and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At June 30, 2018, the Center had $2,070 in undeposited cash on hand which is included on the financial statements as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all Center deposits was $5,244,998 and the bank balance of all Center deposits was $5,538,630. Of the bank balance, $750,000 was covered by the FDIC and $4,788,630 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Center and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the Center's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Center to a successful claim by the FDIC.

C. Investments

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

		Investment Maturities				
Measurement/ Investment type	Measurement Value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater Than 24 months
Fair Value:						
U.S. Treasury Bills	$ 21,816,146	$ -	$ -	$ 21,816,146	$ -	$ -
FNMA	2,520,511	-	-	-	588,422	1,932,089
FHLB	389,791	389,791	-	-	-	-
FHLMC	575,232	-	-	575,232	-	-
Negotiable CDs	4,158,572	492,471	985,425	1,965,468	-	715,208
Commercial paper	24,509,084	24,509,084	-	-	-	-
U.S. Government Money Market Mutual Fund	48,989	48,989	-	-	-	-
Amortized Cost:						
STAR Ohio	258	258	-	-	-	-
Total	$ 54,018,583	$ 25,440,593	$ 985,425	$ 24,356,846	$ 588,422	$ 2,647,297

The weighted average maturity of investments is 0.48 years.

The Center's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The Center 's investments in U.S. Treasury bills, federal agency securities (FNMA, FHLB, FHLMC), commercial paper, and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Center, and that an investment must be purchased with the expectation that it will be held to maturity. The Center's investment policy also states that the Center will not invest in any eligible security maturing more than two years from the date of settlement if it bears interest at a variable rate.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAm money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. The U.S. Treasury Bills were rated A-1+ and P-1 by Standard & Poor's and Moody's Investor Services, respectively. The federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The commercial paper was rated A-1+ and A-1 by Standard & Poor's P-1 by Moody's Investor Services. The U.S. government money market mutual fund was rated AAAm by Standard & Poor's. The negotiable CDs were not rated but are covered by the FDIC. The Center's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, 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. The federal agency securities and commercial paper are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the Center's name. The Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The Center places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Center at June 30, 2018:

Measurement/ Investment type	Measurement Value	% of Total
Fair Value:		
U.S Treasury Bills	21,816,146	40.39
FNMA	2,520,511	4.67
FHLB	389,791	0.72
FHLMC	575,232	1.06
Negotiable CDs	4,158,572	7.70
Commercial paper	24,509,084	45.37
U.S. Government Money Market Mutual Fund	48,989	0.09
Amortized Cost:		
STAR Ohio	258	-
Total	$ 54,018,583	100.00

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2018:

Cash and investments per note	
Carrying amount of deposits	$ 5,244,998
Investments	54,018,583
Cash on hand	2,070
Total	$ 59,265,651
Cash and investments per statement of net position	
Governmental activities	$ 58,074,175
Business-type activities	1,123,021
Private-purpose trust fund	8,260
Agency funds	60,195
Total	$ 59,265,651

NOTE 5 - RECEIVABLES

Receivables at June 30, 2018 consisted of property taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

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

	Governmental activities	Business-type activities
Property taxes	$ 13,282,528	$ -
Payments in lieu of taxes	223,154	-
Accounts	314	40,628
Accrued interest	29,959	-
Intergovernmental	278,878	-
Total	$ 13,814,833	$ 40,628

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year. At June 30, 2018 the Center's intergovernmental receivable consisted of $73,113 in the ASPIRE instructional grants, $175,954 in the Carl Perkins grant, and $29,811 in workers' compensation refunds.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The Center receives property taxes from Cuyahoga and Lorain Counties. The County Fiscal Officer and 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 2018 operations. The amount available as an advance at June 30, 2018 was $1,332,502 in the general fund and $400,452 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2017 was $1,730,693 in the general fund and $520,119 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

	2017 Second Half Collections Amount	2017 Second Half Collections Percent	2018 First Half Collections Amount	2018 First Half Collections Percent
Real Property:				
Residential/Agricultural	$ 3,293,129,770	69.82	$ 3,307,776,850	69.12
Commercial/Industrial	1,280,038,670	27.14	1,317,686,280	27.54
Tangible Personal Property:				
Public utility	143,281,090	3.04	159,856,140	3.34
Total	$ 4,716,449,530	100.00	$ 4,785,319,270	100.00
Tax rate per $1,000 of assessed valuation				
General fund	$ 2.40		$ 2.40	
Permanent improvement	0.69		0.69	

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2018, was as follows. Capital assets of the governmental activities at June 30, 2017 have been restated by ($1,923,824) as described in Note 3.A. The restatement had the follow effect on the various governmental activities capital asset categories:

Govermental activities:	Balance 6/30/2017	Adjustments	Restated Balance 7/1/2017
Capital assets not being depreciated:			
Land	$ 261,490	$ -	$ 261,490
Construction in Progress	278,198	-	278,198
Total capital assets not being depreciated	539,688	-	539,688
Capital assets being depreciated:			
Buildings and improvements	14,783,292	557,621	15,340,913
Furniture and equipment	6,431,573	(4,956,404)	1,475,169
Vehicles	312,399	(225,232)	87,167
Total capital assets being depreciated	21,527,264	(4,624,015)	16,903,249
Less: accumulated depreciation			
Buildings and improvements	(10,886,853)	(1,826,432)	(12,713,285)
Furniture and equipment	(5,087,324)	4,266,471	(820,853)
Vehicles	(280,102)	260,152	(19,950)
Total accumulated depreciation	(16,254,279)	2,700,191	(13,554,088)
Govermental activities capital assets, net	$ 5,812,673	$ (1,923,824)	$ 3,888,849

NOTE 7 - CAPITAL ASSETS - (Continued)

	Restated Balance 7/1/17	Additions	Deductions	Balance 06/30/18
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 261,490	$ -	$ -	$ 261,490
CIP	278,198	3,697,883	-	3,976,081
Total capital assets, not being depreciated	539,688	3,697,883	-	4,237,571
Capital assets, being depreciated:				
Buildings and improvements	15,340,913	-	-	15,340,913
Furniture and equipment	1,475,169	33,200	-	1,508,369
Vehicles	87,167	37,517	-	124,684
Total capital assets, being depreciated	16,903,249	70,717	-	16,973,966
Less: accumulated depreciation:				
Buildings and improvements	(12,713,285)	(111,310)	-	(12,824,595)
Furniture and equipment	(820,853)	(83,973)	-	(904,826)
Vehicles	(19,950)	(8,717)	-	(28,667)
Total accumulated depreciation	(13,554,088)	(204,000)	-	(13,758,088)
Governmental activities capital assets, net	$ 3,888,849	$ 3,564,600	$ -	$ 7,453,449

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	$ 165,999
Adult/continuing	1,262
Support services:	
Pupil	969
Instructional staff	1,989
Operations and maintenance	6,802
Pupil transporation	8,717
Central	17,467
Operation of non-instructional	795
Total depreciation expense	$ 204,000

NOTE 7 - CAPITAL ASSETS - (Continued)

Capital asset activity for the business-type activities for the year ended June 30, 2018, was as follows. Capital assets of the business-type activities at June 30, 2017 have been restated by $8,057 as described in Note 3.A. The restatement had the follow effect on the various business-type activities capital asset categories:

Business-type activities:	Balance 6/30/2017	Adjustments	Restated Balance 7/1/2017
Capital assets being depreciated:			
Furniture and equipment	$ 514,325	$ (437,843)	$ 76,482
Total capital assets being depreciated	514,325	(437,843)	76,482
Less: accumulated depreciation			
Furniture and equipment	(504,442)	445,900	(58,542)
Total accumulated depreciation	(504,442)	445,900	(58,542)
Business-Type activities capital assets, net	$ 9,883	$ 8,057	$ 17,940

	Restated Balance 7/1/17	Additions	Deductions	Balance 06/30/18
Business-type activities:				
Capital assets, not being depreciated:				
CIP	$ -	$ 1,200,000	$ -	$ 1,200,000
Total capital assets, not being depreciated	-	1,200,000	-	1,200,000
Capital assets, being depreciated:				
Furniture and equipment	76,482	-	-	76,482
Total capital assets, being depreciated	76,482	-	-	76,482
Less: accumulated depreciation:				
Furniture and equipment	(58,542)	(3,824)	-	(62,366)
Total accumulated depreciation	(58,542)	(3,824)	-	(62,366)
Business-Type activities capital assets, net	$ 17,940	$ 1,196,176	$ -	$ 1,214,116

Depreciation expense was charged to the enterprise funds as follows:

Adult and Community Education	$ 3,824
Total depreciation expense	$ 3,824

NOTE 8 - LONG-TERM OBLIGATIONS

The changes in the Center's long-term obligations during the year consist of the following. The long-term liabilities at June 30, 2017 have been restated as described in Note 3.A.

	Restated Balance 07/01/17	Increase	Decrease	Balance 06/30/18	Amount Due in One Year
Governmental activities:					
Capital lease obligation	$ 50,466	$ -	$ (50,466)	$ -	$ -
Certificates of participation	47,100,000	-	-	47,100,000	-
Net pension liability:					
STRS	17,748,462	-	(4,990,267)	12,758,195	-
SERS	5,807,371	-	(906,267)	4,901,104	-
Total net pension liability	23,555,833	-	(5,896,534)	17,659,299	-
Net OPEB liability:					
STRS	2,835,628	-	(740,182)	2,095,446	-
SERS	2,094,912	-	(38,162)	2,056,750	-
Total net OPEB liability	4,930,540	-	(778,344)	4,152,196	-
Compensated absences	1,315,012	375,683	(298,337)	1,392,358	511,697
Unamortized premium	3,093,968	-	(105,476)	2,988,492	-
Total governmental activities	$ 80,045,819	$ 375,683	$ (7,129,157)	$ 73,292,345	$ 511,697
Business-type activities:					
Compensated absences	$ 173,916	$ 37,200	$ (74,196)	$ 136,920	$ 86,932
Net pension liability:					
STRS	3,148,808	-	(1,050,867)	2,097,941	-
SERS	1,199,255	-	(68,634)	1,130,621	-
Total net pension liability	4,348,063	-	(1,119,501)	3,228,562	-
Net OPEB liability:					
STRS	503,155	-	(158,583)	344,572	-
SERS	432,732	41,733	-	474,465	-
Total net OPEB liability	935,887	41,733	(158,583)	819,037	-
Total business-type activities	$ 5,457,866	$ 78,933	$ (1,352,280)	$ 4,184,519	$ 86,932

Compensated absences in the governmental activities will paid from the general fund and compensated absences in the business-type activities will be paid from the adult and community education fund.

See Note 15 for further information on the Center's net pension liability. The Center pays obligations related to employee compensation from the fund benefitting from their service.

See Note 16 for further information on the Center's net OPEB liability. The Center pays obligations related to employee compensation from the fund benefitting from their service.

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

The capital lease obligation was paid from the general fund. See Note 9 for more detail.

Certificates of Participation: In March 2017, the Center issued $47,100,000 in certificates of participation ("COPs") to finance the acquisition, construction and overall improvement of Center facilities. As part of the official agreement, the Center's land and buildings are being ground leased to the Agricultural Incubator Foundation (the "Foundation"), who will then sublease the land and buildings back to the Center for a series of rental payments. These rental payments will pay for the debt service requirements on the COPs. The COPs were sold at a premium of $3,120,337. The COPs premium was deposited into the permanent improvement fund and will be used for future debt service payments. The COPs bear interest rates ranging from 2.50% to 5.00%. Principal on the COPs is due each November 1, beginning November 1, 2021, through and including November 1, 2046. The Foundation has assigned all of its rights in the transaction to The Huntington National Bank (the "Trustee"), which is serving as the trustee for the COPs. The Center did not make any principal payments and made $2,411,404 in interest payments in fiscal year 2018. These amounts will be reported as debt service expenditures in the permanent improvement fund.

The obligation of the Center under the lease and any subsequent lease renewal is subject to the annual appropriation of the rental payments. Legal title to the facilities remains with the Trustee until all payments required under the lease have been made. In the event that sufficient monies are not appropriated or certified, the lease will terminate at the end of the current lease term and the Center will have no further obligation to make rental payments. The Trustee, as assignee under the lease assignment, will have certain remedies under the ground lease and the lease, including the right to take possession of the project for the remainder of the term of the ground lease (through November 1, 2046). At June 30, 2018, the Center had $43,402,117 in unspent proceeds.

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

Fiscal Year	Principal	Interest	Total
2019	$ -	$ 2,132,938	$ 2,132,938
2020	-	2,132,938	2,132,938
2021	-	2,132,938	2,132,938
2022	980,000	2,120,688	3,100,688
2023	1,000,000	2,088,438	3,088,438
2024 - 2028	5,745,000	9,649,565	15,394,565
2029 - 2033	7,300,000	8,039,185	15,339,185
2034 - 2038	9,200,000	6,107,342	15,307,342
2039 - 2043	11,605,000	3,646,400	15,251,400
2044 - 2048	11,270,000	923,600	12,193,600
Total	$ 47,100,000	$ 38,974,032	$ 86,074,032

Legal Debt Margin: The Center's overall legal debt margin was $430,678,734 with an unvoted debt margin of $4,785,319 at June 30, 2018.

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

In 2012, the Center entered into a capital lease for an Energy Improvement Project. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general fund on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

During fiscal year 2018, the Center made the required principal and interest payments of $50,466 and $738 respectively. Principal and interest payment are made from the general fund. At June 30, 2018, the capital lease was paid in its entirety.

Capital assets acquired by lease have been capitalized and depreciated as follows:

Buildings and Improvement	$ 1,982,400
Less: Accumulated Depreciation:	(1,840,400)
Total Capital Assets, being depreciated, net	$ 142,000

NOTE 10 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and,

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

Net Change in Fund Balance

	General fund
Budget basis	$ (150,329)
Net adjustment for revenue accruals	(618,889)
Net adjustment for expenditure accruals	(92,541)
Net adjustment for other sources/uses	4,497
Adjustment for encumbrances	392,867
GAAP basis	$ (464,395)

NOTE 11 - SET-ASIDES

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

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

	Capital Improvements
Set-aside balance June 30, 2017	$ -
Current year set-aside requirement	117,545
Current year qualifying expenditures	(9,960)
Current year offsets	(3,334,396)
Total	$ (3,226,811)
Balance carried forward to fiscal year 2019	$ -
Set-aside balance June 30, 2018	$ -

NOTE 12 - EMPLOYEE BENEFITS

A. Vacation Leave

The Superintendent and twelve-month employees earn ten to twenty days of vacation per year, depending upon length of service. Administrators earn twenty days of vacation per year and qualify for twenty-five if they start their sixth year at the Center. Center support personnel accumulate vacation based on the following factors:

Length of Service	Vacation Leave
After 1 Year	10 Days Per Year
9 or more Years	15 Days Per Year
15 or more Years	20 Days Per Year

Accumulated, unused vacation time is paid to employees upon termination of employment. Teachers do not earn vacation time.

B. Sick Leave

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 343 days for classified employees and 343 days for certified employees.

NOTE 12 - EMPLOYEE BENEFITS - (Continued)

C. Retirement Severance Pay

Certified Employees

1. *Five or More Years of Service – Retirement:* A teacher who has five or more years of service with the Center may elect at the time of retirement from active service to be paid for thirty percent of the value of the teacher's accrued but unused sick leave credit to a maximum of ninety-eight days.

   The word "retirement" shall be limited exclusively to mean full permanent retirement with regard to age and years of service under the State Teachers Retirement System law. The rate paid will be the per diem rate of the teacher's basic contract in effect at the time of retirement. Supplemental contracts, extended service or other compensation will not be included in the calculation. Payment for sick leave on this basis shall be considered to eliminate all sick leave credit accrued by the teacher. Such payment shall be made only once to any teacher.

2. *Ten or More Years of Service – Separation:* A teacher who has ten or more years of service with the Center, who resigns or who is severed from employment for any reason, may elect to receive a lump sum cash payment for thirty percent of the value of the teacher's accrued but unused sick leave credit to a maximum of forty days. Such payment shall be calculated by multiplying the employee's daily rate of pay at the time of such severance of employment by the total number of days to which they are entitled. The rate paid will be the highest per diem rate.

Classified Employees

Any employee who has five or more years of service with the Board of Education may elect at the time of retirement from active service to be paid for thirty percent of the value of the employee's accrued but unused sick leave credit to a maximum of ninety-eight days. Severance pay is a per diem based upon the employee's hourly rate over the last three years of employment, times the hours worked per day. The word "retirement" as used shall be limited exclusively to mean full permanent service retirement with regard to age and years of service under the School Employees Retirement System. Payment for sick leave on this basis shall be considered to eliminate all sick leave credit accrued by the employee.

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

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

Type	Coverage
General Liability:	
Bodily Injury (Aggregate Limit)	$ 3,000,000
General Annual Aggregate	3,000,000
Sexual Misconduct and Molestation Liability	1,000,000
Medical Expense Limit	5,000
Property	
Blanket Building and Contents	49,070,000

NOTE 13 - RISK MANAGEMENT - (Continued)

Type	Coverage
Automobile Liability:	
Hired and Non-owned Liability	$ 1,000,000
Medical Payments	5,000
Uninsured/Underinsured Motorist	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

B. Bonding

The Board President, Superintendent, and Treasurer are covered with surety bonds for $25,000 each. All other employees of the Center are covered by a blanket surety bond in the amount of $20,000.

C. Workers' Compensation

The Center has established a workers' compensation self-insurance fund to account for workers' compensation activities. The Center pays into the self-insured fund, which is accounted for as an internal service fund, a percentage of the covered employee's salary. Premium payments are then remitted from the self-insurance fund to the Ohio Bureau of Workers' Compensation when due.

For fiscal year 2018, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the Ohio Bureau of Workers' Compensation based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the GRP.

D. Employee Health Benefits

The Center participates in the Suburban Health Consortium, a shared risk pool to provide employee medical/surgical benefits, vision, prescription drug, and dental. Rates are set through an annual calculation process. The Center pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. The Center's Board of Education pays 95% of the monthly premium for all full-time employees.

Claims are paid for all participants regardless of claims flow. Upon termination, all participants' claims would be paid without regard to the participants account balance or the Directors have the right to hold monies for an existing participant until the settlement of all expenses and claims.

Life insurance benefits of $50,000 including accidental death and dismemberment are provided to full-time employees on a fully-funded basis.

NOTE 14 - CONTINGENCIES

A. Grants

The Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

The Center is not party to legal proceedings to legal proceedings that, in the opinion of management, would have a material impact on the financial statements.

C. Foundation Funding

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The Center's contractually required contribution to SERS was $453,140 for fiscal year 2018. Of this amount, $8,425 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of 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.

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that 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 fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The Center's contractually required contribution to STRS was $997,449 for fiscal year 2018. Of this amount, $109,316 is reported as intergovernmental payable.

Net Pension Liability

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

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.09573100%	0.06243020%	
Proportion of the net pension liability current measurement date	0.10095310%	0.06253842%	
Change in proportionate share	0.00522210%	0.00010822%	
Proportionate share of the net pension liability	$ 6,031,725	$ 14,856,136	$ 20,887,861
Pension expense	$ (219,460)	$ (5,993,581)	$ (6,213,041)

Of the Center's total pension expense of ($6,213,041), ($5,259,048) is reported in the governmental activities and ($953,993) is reported in the business-type activities.

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 259,586	$ 573,676	$ 833,262
Changes of assumptions	311,905	3,249,200	3,561,105
Difference between Center contributions and proportionate share of contributions/ change in proportionate share	357,151	187,117	544,268
Center contributions subsequent to the measurement date	453,140	997,449	1,450,589
Total deferred outflows of resources	$1,381,782	$5,007,442	$6,389,224

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 119,734	$ 119,734
Net difference between projected and actual earnings on pension plan investments	28,631	490,268	518,899
Difference between District contributions and proportionate share of contributions/ change in proportionate share	186,451	961,904	1,148,355
Total deferred inflows of resources	$ 215,082	$1,571,906	$1,786,988

$1,450,589 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Of the total contributions made subsequent to the measurement date, $1,224,793 relates to governmental activities and $225,796 relates to business-type activities. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 239,551	$ 411,300	$ 650,851
2020	459,437	1,078,232	1,537,669
2021	155,185	681,131	836,316
2022	(140,613)	267,424	126,811
Total	$ 713,560	$ 2,438,087	$ 3,151,647

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

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

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

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Center's proportionate share of the net pension liability	$ 8,370,466	$ 6,031,725	$ 4,072,552

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS Ohio

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

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

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

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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 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 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Center's proportionate share of the net pension liability	$ 21,295,765	$ 14,856,136	$ 9,431,713

NOTE 16 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the Center's surcharge obligation was $9,449.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Center's contractually required contribution to SERS was $26,232 for fiscal year 2018. Of this amount, $9,750 is reported as intergovernmental payable.

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.

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liability

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

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.08867776%	0.06243020%	
Proportion of the net OPEB liability current measurement date	0.09431680%	0.06253842%	
Change in proportionate share	0.00563904%	0.00010822%	
Proportionate share of the net OPEB liability	$ 2,531,215	$ 2,440,018	$ 4,971,233
OPEB expense	$ 181,153	$ (743,736)	$ (562,583)

Of the Center’s total OPEB expense of ($562,583), ($497,685) is reported in the governmental activities and ($64,898) is reported in the business-type activities.

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ -	$ 140,853	$ 140,853
Difference between Center contributions and proportionate share of contributions/ change in proportionate share	83,113	31,400	114,513
Center contributions subsequent to the measurement date	26,233	-	26,233
Total deferred outflows of resources	$ 109,346	$ 172,253	$ 281,599

	SERS	STRS	Total
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	$ 6,684	$ 104,292	$ 110,976
Changes of assumptions	240,199	196,551	436,750
Difference between Center contributions and proportionate share of contributions/ change in proportionate share	-	26,439	26,439
Total deferred inflows of resources	$ 246,883	$ 327,282	$ 574,165

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

$26,233 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2018. Of the total contributions made subsequent to the measurement date, $21,315 relates to governmental activities and $4,918 relates to business-type activities. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (58,586)	$ (34,530)	$ (93,116)
2020	(58,586)	(34,530)	(93,116)
2021	(44,927)	(34,530)	(79,457)
2022	(1,671)	(34,530)	(36,201)
2023	-	(8,457)	(8,457)
Thereafter	-	(8,452)	(8,452)
Total	$ (163,770)	$ (155,029)	$ (318,799)

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.

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
Center's proportionate share of the net OPEB liability	$ 3,056,765	$ 2,531,215	$ 2,114,846

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
Center's proportionate share of the net OPEB liability	$ 2,053,891	$ 2,531,215	$ 3,162,961

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Asset Class	Target Allocation	Long Term Expected 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 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 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.

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Center's proportionate share of the net OPEB liability	$ 3,275,686	$ 2,440,018	$ 1,779,568

	1% Decrease	Current Trend Rate	1% Increase
Center's proportionate share of the net OPEB liability	$ 1,695,220	$ 2,440,018	$ 3,420,260

NOTE 17 - OTHER COMMITMENTS

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

Fund	Year-End Encumbrances
General	$ 291,977
Permanent improvement	1,561,846
Nonmajor governmental	35,114
Total	$ 1,888,937

NOTE 18 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2018, as reported on the fund statements:

Receivable fund	Payable fund	Amount
General fund	Nonmajor governmental funds	$ 124,824

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 19 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments entered into property tax abatement agreements with property owners under Enterprise Zone Agreements ("EZAs") and the Ohio Community Reinvestment Area ("CRA") program with the taxing districts of the Center. The EZAs and CRA program are directive incentive tax exemption programs benefiting property owners who renovate or construct new buildings. Under these programs, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Under these agreements, the Center's property taxes were reduced by $302,817. The Center is not receiving any amounts from these other governments in association with the forgone property tax revenue.

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REQUIRED SUPPLEMENTARY INFORMATION

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
Center's proportion of the net pension liability	0.10095310%	0.09573100%	0.09295400%	0.10295800%	0.10295800%
Center's proportionate share of the net pension liability	$ 6,031,725	$ 7,006,626	$ 5,303,840	$ 5,210,646	$ 5,629,898
Center's covered payroll	$ 3,365,957	$ 2,980,950	$ 3,610,501	$ 3,486,934	$ 3,080,535
Center's proportionate share of the net pension liability as a percentage of its covered payroll	179.20%	235.05%	146.90%	149.43%	182.76%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
Center's proportion of the net pension liability	0.06253842%	0.06243020%	0.06732655%	0.06757219%	0.06757219%
Center's proportionate share of the net pension liability	$ 14,856,136	$ 20,897,270	$ 18,607,089	$ 16,435,895	$ 17,193,952
Center's covered payroll	$ 6,984,636	$ 6,635,250	$ 7,907,521	$ 8,319,285	$ 8,393,431
Center's proportionate share of the net pension liability as a percentage of its covered payroll	212.70%	314.94%	235.31%	197.56%	204.85%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 453,140	$ 471,234	$ 417,333	$ 475,864
Contributions in relation to the contractually required contribution	(453,140)	(471,234)	(417,333)	(475,864)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered payroll	$ 3,356,593	$ 3,365,957	$ 2,980,950	$ 3,610,501
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014		2013		2012		2011		2010		2009	
$	483,289	$	426,346	$	411,273	$	353,680	$	376,055	$	264,386
	(483,289)		(426,346)		(411,273)		(353,680)		(376,055)		(264,386)
$	-	$	-	$	-	$	-	$	-	$	-
$	3,486,934	$	3,080,535	$	3,057,792	$	2,813,683	$	2,777,363	$	2,686,850
	13.86%		13.84%		13.45%		12.57%		13.54%		9.84%

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 997,449	$ 977,849	$ 928,935	$ 1,107,053
Contributions in relation to the contractually required contribution	(997,449)	(977,849)	(928,935)	(1,107,053)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered payroll	$ 7,124,636	$ 6,984,636	$ 6,635,250	$ 7,907,521
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014	2013	2012	2011	2010	2009
$ 1,081,507	$ 1,091,146	$ 977,402	$ 909,723	$ 949,493	$ 888,374
(1,081,507)	(1,091,146)	(977,402)	(909,723)	(949,493)	(888,374)
$ -	$ -	$ -	$ -	$ -	$ -
$ 8,319,285	$ 8,393,431	$ 7,518,477	$ 6,997,869	$ 7,303,792	$ 6,833,646
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2018	**2017**
Center's proportion of the net OPEB liability	0.09431680%	0.08867776%
Center's proportionate share of the net OPEB liability	$ 2,531,215	$ 2,527,644
Center's covered payroll	$ 3,365,957	$ 2,980,950
Center's proportionate share of the net OPEB liability as a percentage of its covered payroll	75.20%	84.79%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2018	2017
Center's proportion of the net OPEB liability	0.06253842%	0.06243020%
Center's proportionate share of the net OPEB liability	$ 2,440,018	$ 3,338,783
Center's covered payroll	$ 6,984,636	$ 6,635,250
Center's proportionate share of the net OPEB liability as a percentage of its covered payroll	34.93%	50.32%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.33%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 26,232	$ 13,812	$ 9,110	$ 14,792
Contributions in relation to the contractually required contribution	(26,232)	(13,812)	(9,110)	(14,792)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered payroll	$ 3,356,593	$ 3,365,957	$ 2,980,950	$ 3,610,501
Contributions as a percentage of covered payroll	0.78%	0.41%	0.31%	0.41%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014		2013		2012		2011		2010		2009	
$	19,578	$	12,895	$	53,114	$	104,774	$	98,865	$	169,080
	(19,578)		(12,895)		(53,114)		(104,774)		(98,865)		(169,080)
$	-	$	-	$	-	$	-	$	-	$	-
$	3,486,934	$	3,080,535	$	3,057,792	$	2,813,683	$	2,777,363	$	2,686,850
	0.56%		0.42%		1.74%		3.72%		3.56%		6.29%

POLARIS CAREER CENTER
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered payroll	$ 7,124,636	$ 6,984,636	$ 6,635,250	$ 7,907,521
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014		2013		2012		2011		2010		2009	
$	69,889	$	74,073	$	75,185	$	69,979	$	73,036	$	68,336
	(69,889)		(74,073)		(75,185)		(69,979)		(73,036)		(68,336)
$	-	$	-	$	-	$	-	$	-	$	-
$	8,319,285	$	8,393,431	$	7,518,477	$	6,997,869	$	7,303,792	$	6,833,646
	1.00%		1.00%		1.00%		1.00%		1.00%		1.00%

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

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POLARIS CAREER CENTER
CUYAHOGA COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Year	Federal CFDA Number	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
Nutrition Cluster				
School Breakfast Program	2018	10.553	5,042	
National School Lunch Program	2018	10.555	8,397	3,872
Total Nutrition Cluster			13,439	3,872
Total U.S. Department of Agriculture			13,439	3,872
U.S. DEPARTMENT OF EDUCATION				
Direct Assistance Programs				
Student Financial Assistance Cluster				
Federal Pell Grant Program	2018	84.063	557,059	
Subtotal Federal Pell Grant Program			557,059	-
Federal Direct Student Loans	2018	84.268	800,907	
Subtotal Direct Student Loans			800,907	-
Total Student Financial Assistance Cluster			1,357,966	-
Passed Through Ohio Department of Education				
Adult Education - Basic Grants to States (ABLE)	2017	84.002	5,740	
Adult Education - Basic Grants to States (ABLE)	2018	84.002	404,545	
Subtotal Adult Education Passed Through Ohio Department of Education			410,285	-
Passed Through Cuyahoga Community College				
Adult Education - Basic Grants to States (EL/Civics)	2017	84.002	5,160	
Subtotal Adult Education Passed Through Cuyahoga Community College			5,160	-
Total Adult Education - Basic Grants to States			415,445	-
Passed Through Ohio Department of Education				
Career and Technical Education - Basic Grants to States (Carl D. Perkins)	2018	84.048	200,293	
Subtotal Career and Technical Education Passed Through Ohio Department of Education			200,293	-
Passed Through Lorain County Joint Vocational School				
Career and Technical Education - Basic Grants to States	2018	84.048	247,142	
Subtotal Career and Technical Education Passed Through Lorain County Joint Vocational School			247,142	-
Total Career and Technical Education - Basic Grants to States			447,435	-
Total U.S. Department of Education			2,220,846	-
Total Federal Financial Assistance			2,234,285	3,872

The accompanying notes are an integral part of this schedule.

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

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Polaris Career 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, changes in net position, or cash flows of the Center.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

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

Polaris Career Center
Cuyahoga County
7285 Old Oak Boulevard
Middleburg Heights, Ohio 44130

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Polaris Career Center, Cuyahoga 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 March 15, 2019, wherein we noted the Center adopted Government Accounting Standards Board 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

March 15, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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

Polaris Career Center
Cuyahoga County
7285 Old Oak Boulevard
Middleburg Heights, Ohio 44130

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Polaris Career 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 Polaris Career 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 opinion on the Center's major program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on the Major Federal Program

In our opinion, the Polaris Career Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the 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 each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Center's internal control over compliance.

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

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

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

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Columbus, Ohio

March 15, 2019

POLARIS CAREER CENTER
CUYAHOGA COUNTY

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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POLARIS CAREER CENTER

CUYAHOGA 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
MARCH 28, 2019

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