



Dave Yost • Auditor of State



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

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MUSKINGUM COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mid-East Career and Technology Centers, Muskingum County, Ohio (the Center), as of and for the year ended June 30, 2016, 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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mid-East Career and Technology Centers, Muskingum County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Adult Education Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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 Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 13, 2016

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**Mid-East Career and Technology Centers**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**Unaudited**

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Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Mid-East Career and Technology Center's (Center) financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Center's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position of governmental activities increased \$5,978,138. This represents approximately a thirteen percent increase from 2015.
- General revenues accounted for \$17,545,239 in revenue or 65 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$9,329,715 or 35 percent of total revenues of \$26,874,954.
- Current and other assets increased by \$3,746,801 due primarily to an increase in property taxes receivable. In addition, deferred inflows of resources decreased by \$1,107,150 due primarily to pension related items.
- The Center had \$20,896,816 in expenses related to governmental activities; only \$9,329,715 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) in the amount of \$17,545,239 were adequate to provide for these programs.

**Using this Basic Financial Statements Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 non-major funds presented in total in one column and also provide information in more detail than the government-wide statements.

**Reporting the Center as a Whole**

*Statement of Net Position and Statement of Activities*

While these documents contain the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2015-2016 fiscal year?" The *Statement of Net Position* and the *Statement of Activities* answer this question.

**Mid-East Career and Technology Centers**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**Unaudited**

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

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

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

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

***Fund Financial Statements***

The analysis of the Center's major funds begins on page 11. Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's major governmental funds are the General Fund, the Adult Education Special Revenue Fund, the Bond Retirement Debt Service Fund, and the Permanent Improvement Levy Capital Projects 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 governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**Reporting the District's Fiduciary Responsibilities**

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

**Mid-East Career and Technology Centers**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**Unaudited**

**The Center as a Whole**

Recall that the Statement of Net Position provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net position for 2016 compared to 2015.

(Table 1)  
Net Position

	Governmental Activities		
	2016	2015	Change
<b>Assets</b>			
Current and Other Assets	\$45,090,863	\$41,344,062	\$3,746,801
Capital Assets, Net	50,660,587	50,689,301	(28,714)
Total Assets	<u>95,751,450</u>	<u>92,033,363</u>	<u>3,718,087</u>
<b>Deferred Outflows of Resources</b>			
Pension	2,322,546	1,523,695	798,851
<b>Liabilities</b>			
Current and Other Liabilities	1,648,490	2,011,943	(363,453)
Long-Term Liabilities			
Due Within One Year	2,262,337	2,202,210	60,127
Due in More Than One Year:			
Net Pension Liability	23,764,618	21,704,809	2,059,809
Other Amounts Due in More Than One Year	7,844,639	9,955,172	(2,110,533)
Total Liabilities	<u>35,520,084</u>	<u>35,874,134</u>	<u>(354,050)</u>
<b>Deferred Inflows of Resources</b>			
Property and Payment in Lieu of Taxes	7,820,715	7,268,880	551,835
Pension	2,265,526	3,924,511	(1,658,985)
Total Deferred Inflows of Resources	<u>10,086,241</u>	<u>11,193,391</u>	<u>(1,107,150)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	41,446,083	39,036,220	2,409,863
Restricted	12,701,301	12,141,042	560,259
Unrestricted (Deficit)	(1,679,713)	(4,687,729)	3,008,016
Total Net Position	<u>\$52,467,671</u>	<u>\$46,489,533</u>	<u>\$5,978,138</u>

The net pension liability is the largest single liability reported by the Center at June 30, 2016, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27". 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

**Mid-East Career and Technology Centers**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**Unaudited**

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GASB 68 requires the net pension liability to equal the Center's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

Total assets reflect an increase in the amount of \$3,718,087. Cash and cash equivalents increased by \$2,008,725 as the Center strives to maintain a healthy working balance in as many areas as possible. In addition, property taxes receivable reflect a significant increase in the amount of \$891,986 due to an increase in public utility property valuations. Due to some counties in the Center's boundaries benefitting greatly from the oil and gas industry, public utility valuations increased due to the construction of stations and transmission lines, and tax revenue on production is also increasing. Another component in the overall increase in total assets is an increase in intergovernmental receivables in the amount of \$637,785. Straight A grants receivable increased by \$634,198 due to the Center being awarded a new round for this state grant funding.

Total liabilities decreased by \$354,050. Current and other liabilities decreased by \$363,453, which is mainly due to decreases in contracts and retainage payables, as the classroom facilities project nears completion. Long-term liabilities, excluding the pension liability, decreased in the amount of \$2,050,406 due to the Center making required debt service payments.

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

By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the overall position of the Center has improved as evidenced by the increase in net position in the amount of \$5,978,138. The large change in Net Investment in Capital Assets is related to the decrease in capital related debt as discussed above. The largest change is in unrestricted net position, an increase of \$3,008,016, and is largely the result of the change in pension related items from the prior year.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2016, and comparisons to fiscal year 2015.

Table 2 - Change in Net Position

	Governmental Activities		
	2016	2015	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$3,107,471	\$2,818,783	\$288,688
Operating Grants, Contributions, and Interest	5,472,960	4,941,255	531,705
Capital Grants, Contributions, and Interest	749,284	493,380	255,904
Total Program Revenues	<u>9,329,715</u>	<u>8,253,418</u>	<u>1,076,297</u>
General Revenues:			
Property Taxes	11,503,201	9,836,442	1,666,759
Payments in Lieu of Taxes	36,581	40,890	(4,309)
Grants and Entitlements	5,692,431	6,009,412	(316,981)
Investment Earnings and Miscellaneous	313,026	174,686	138,340
Total General Revenues	<u>17,545,239</u>	<u>16,061,430</u>	<u>1,483,809</u>
Total Revenues	<u>26,874,954</u>	<u>24,314,848</u>	<u>2,560,106</u>
<b>Program Expenses</b>			
Instruction:			
Regular	2,279,869	1,998,701	281,168
Vocational	7,026,851	7,542,723	(515,872)
Adult/Continuing	2,447,292	2,346,710	100,582
Support Services:			
Pupils	1,222,839	1,093,628	129,211
Instructional Staff	1,134,080	1,106,737	27,343
Board of Education	71,721	93,558	(21,837)
Administration	1,637,446	1,465,536	171,910
Fiscal	853,077	781,314	71,763
Business	273,520	292,353	(18,833)
Operation and Maintenance of Plant	2,660,544	3,077,851	(417,307)
Pupil Transportation	117,011	110,905	6,106
Central	182,767	190,782	(8,015)
Operation of Non-Instructional Services	508,679	554,449	(45,770)
Extracurricular Activities	108,691	97,923	10,768
Interest	372,429	407,017	(34,588)
Total Expenses	<u>20,896,816</u>	<u>21,160,187</u>	<u>(263,371)</u>
Change in Net Position	<u>5,978,138</u>	<u>3,154,661</u>	<u>2,823,477</u>
Net Position Beginning of Year	<u>46,489,533</u>	<u>43,334,872</u>	<u>3,154,661</u>
Net Position End of Year	<u>\$52,467,671</u>	<u>\$46,489,533</u>	<u>\$5,978,138</u>

**Mid-East Career and Technology Centers**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**  
**Unaudited**

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The Center's net position increased \$5,978,138. As indicated in Table 2, the largest revenue fluctuation is evident in property taxes revenue, an increase in the amount of \$1,666,759. Amounts available as an advance increased by \$644,936 and these amounts are reflected as revenue in the accompanying financial statements. Delinquent taxes decreased by \$308,182 which resulted in an increase property tax cash collections during fiscal year 2016.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Property taxes made up 43 percent of revenues for governmental activities in fiscal year 2016. The remaining 57 percent of revenues are received through outside sources, such as restricted and unrestricted grants in aid and tuition received from the adult program.

Instructional programs comprise 56 percent of total governmental program expenses. Of the instructional expenses, approximately 60 percent is for vocational instruction, 21 percent is for adult/continuing instruction, and 19 percent is for regular instruction. The largest change in expenses is in vocational instruction expense, a decrease in the amount of \$515,872. Although this program is the main operating program of the Center, this change represents less than 10 percent of the prior year's expenses. Another large fluctuation in expenses is reflected in operation and maintenance of plant expenses which decreased by \$417,307. This fluctuation is due to the capitalization of various furnishing expenses associated with the final stages of the classroom facilities project.

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

**Mid-East Career and Technology Centers  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited**

Table 3 - Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Instructional Services:				
Regular	\$2,279,869	\$2,151,554	\$1,998,701	\$1,998,701
Vocational	7,026,851	2,588,376	7,542,723	3,664,135
Adult/Continuing	2,447,292	(270,585)	2,346,710	(54,181)
Support Services:				
Pupils	1,222,839	1,010,088	1,093,628	968,596
Instructional Staff	1,134,080	482,694	1,106,737	423,455
Board of Education	71,721	71,721	93,558	93,558
Administration	1,637,446	1,494,782	1,465,536	1,365,355
Fiscal	853,077	720,895	781,314	211,093
Business	273,520	273,520	292,353	292,353
Operation and Maintenance of Plant	2,660,544	2,199,621	3,077,851	3,076,735
Pupil Transportation	117,011	117,011	110,905	110,905
Central	182,767	182,767	190,782	190,782
Operation of Non-Instructional Services	508,679	63,537	554,449	60,342
Extracurricular Activities	108,691	108,691	97,923	97,923
Interest	372,429	372,429	407,017	407,017
Total Expenses	<u>\$20,896,816</u>	<u>\$11,567,101</u>	<u>\$21,160,187</u>	<u>\$12,906,769</u>

The dependence upon tax revenues and State subsidies is apparent. Approximately 55 percent of total expenses are supported through taxes and other general revenues. Over the past several years the Center has remained in a stable financial position. The Center receives tax revenues from Muskingum, Guernsey, Licking, Coshocton, Perry, Washington, Monroe, Fairfield, and Noble Counties.

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

The Center's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues in the amount of \$26,498,170 and expenditures in the amount of \$23,271,343.

The General Fund's net change in fund balance after other financing sources and uses for the year was an increase in the amount of \$1,870,453, which is larger than any of the Center's other governmental funds combined. This change indicates the amount by which the Center's revenues exceeded expenses for fiscal year 2016. This has been the case for the past few years and reflects the Center's continuing commitment to maintaining a healthy cumulative balance in its chief operating fund. Increased property tax revenues, as discussed previously, has helped the Center meet this goal. The remaining major funds had minimal changes in fund balance with the exception of the Permanent Improvement Levy Capital Projects Fund, a decrease in the amount of \$437,967. This decrease was the result of the Center spending local permanent improvement dollars for assets not covered by the Ohio School Facilities Program.

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

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2016, the Center did amend its General Fund budget from the original levels. Changes to the final budgeted amounts for revenues were not significant but the Center did increase its property tax revenue estimates by \$200,000. For the General Fund, actual revenues exceeded final budgeted amounts by \$156,760. In addition, budgeted expenditures exceeded actual results in the amount of \$859,538 due to conservative spending. The reason for these variances is due to the Center using a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

The General Fund unencumbered ending cash balance totaled \$16,408,636, which was \$1,098,155 above the final budgeted amount of \$15,310,481.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2016, the Center had \$50,660,587 invested in land, buildings and improvements, vehicles, and machinery, equipment, furniture and fixtures. Table 4 shows fiscal year 2016 balances compared to 2015.

Table 4  
Capital Assets at June 30

	Governmental Activities	
	2016	2015
Land	\$338,075	\$333,075
Buildings and Improvements	48,494,497	48,715,677
Vehicles	441,788	335,791
Machinery, Equipment, Furniture and Fixtures	1,386,227	1,304,758
Totals	\$50,660,587	\$50,689,301

See Note 10 for more detailed information of the Center's capital assets.

***Debt***

At June 30, 2016, the Center had \$55,729 in outstanding capital leases and \$9,276,428 in certificates of participation outstanding.

See Notes 16 and 17 for more detailed information about the Center's debt.



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

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**Economic Factors**

During fiscal year 2016, on a modified accrual basis, General Fund revenues exceeded General Fund expenditures by \$2,911,866, but there were other financing sources and uses that reduced this amount to \$1,870,453. However, as the preceding information demonstrates, the Center depends on its property taxpayers. The Center has continued to maintain spending in line with revenues. Careful monitoring of the Center finances must continue if the Center hopes to remain on firm financial footing. The Board of Education and Administration of the Center must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the Center as well as careful planning to ensure that significant outlays may be made in the future to address our facility needs.

**Contacting the Center's Financial Management**

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

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Mid-East Career and Technology Centers, Ohio  
Statement of Net Position  
June 30, 2016

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$28,656,713
Cash and Cash Equivalents in Segregated Accounts	1,188,682
Accounts Receivable	257,531
Inventory Held for Resale	15,569
Materials and Supplies Inventory	58,908
Prepaid Items	125,631
Accrued Interest Receivable	50,411
Property Taxes Receivable	12,826,164
Payment in Lieu of Taxes Receivable	33,635
Intergovernmental Receivable	1,877,619
Nondepreciable Capital Assets	338,075
Depreciable Capital Assets, Net	50,322,512
Total Assets	95,751,450
 <b>Deferred Outflows of Resources</b>	
Pension	2,322,546
 <b>Liabilities</b>	
Matured Compensated Absences Payable	389
Accounts Payable	29,152
Contracts Payable	16,983
Retainage Payable	30,095
Accrued Wages and Benefits Payable	1,211,718
Intergovernmental Payable	199,189
Accrued Interest Payable	31,393
Vacation Benefits Payable	129,571
Long-Term Liabilities:	
Due Within One Year	2,262,337
Due In More Than One Year:	
Net Pension Liability (See Note 14)	23,764,618
Other Amounts Due In More Than One Year	7,844,639
Total Liabilities	35,520,084
 <b>Deferred Inflows of Resources</b>	
Property Taxes	7,820,715
Pension	2,265,526
Total Deferred Inflows of Resources	10,086,241
 <b>Net Position</b>	
Net Investment in Capital Assets	41,446,083
Restricted for:	
Capital Projects	7,246,418
Set Asides	45,566
Adult Education	1,650,464
Classroom Facilities Maintenance	3,021,427
State Grant Programs	664,938
Food Service Program	2,000
Unclaimed Monies	12,874
Federal Grant Programs	57,614
Unrestricted (Deficit)	(1,679,713)
Total Net Position	\$52,467,671

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$2,279,869	\$0	\$128,315	\$0	(\$2,151,554)
Vocational	7,026,851	414,828	3,773,647	250,000	(2,588,376)
Adult/Continuing	2,447,292	2,096,106	621,771	0	270,585
Support Services:					
Pupils	1,222,839	0	212,751	0	(1,010,088)
Instructional Staff	1,134,080	351,055	300,331	0	(482,694)
Board of Education	71,721	0	0	0	(71,721)
Administration	1,637,446	0	142,664	0	(1,494,782)
Fiscal	853,077	77,221	15,100	39,861	(720,895)
Business	273,520	0	0	0	(273,520)
Operation and Maintenance of Plant	2,660,544	1,500	0	459,423	(2,199,621)
Pupil Transportation	117,011	0	0	0	(117,011)
Central	182,767	0	0	0	(182,767)
Operation of Non-Instructional Services:					
Food Service Operations	506,101	166,761	277,308	0	(62,032)
Other Non-Instructional Services	2,578	0	1,073	0	(1,505)
Extracurricular Activities	108,691	0	0	0	(108,691)
Interest	372,429	0	0	0	(372,429)
<b>Total Governmental Activities</b>	<b>\$20,896,816</b>	<b>\$3,107,471</b>	<b>\$5,472,960</b>	<b>\$749,284</b>	<b>(11,567,101)</b>
<b>General Revenues</b>					
Property Taxes Levied for General Purposes					7,136,036
Property Taxes Levied for Building Maintenance					666,886
Property Taxes Levied for Debt Service					2,480,319
Property Taxes Levied for Capital Outlay					1,219,960
Payments in Lieu of Taxes					36,581
Grants and Entitlements not Restricted to Specific Programs					5,692,431
Investment Earnings					275,246
Miscellaneous					37,780
<b>Total General Revenues</b>					<b>17,545,239</b>
<b>Change in Net Position</b>					<b>5,978,138</b>
<b>Net Position Beginning of Year</b>					<b>46,489,533</b>
<b>Net Position End of Year</b>					<b>\$52,467,671</b>

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2016

	General	Adult Education	Bond Retirement	Permanent Improvement Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$16,390,727	\$1,500,866	\$0	\$3,083,176	\$7,623,504	\$28,598,273
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	1,188,682	1,188,682
Inventory Held for Resale	0	0	0	0	15,569	15,569
Materials and Supplies Inventory	51,954	0	0	0	6,954	58,908
Accounts Receivable	35,152	219,123	0	0	3,256	257,531
Intergovernmental Receivable	10,122	0	0	0	1,867,497	1,877,619
Accrued Interest Receivable	34,558	2,597	0	5,345	7,911	50,411
Interfund Receivable	175,612	0	0	0	0	175,612
Prepaid Items	96,062	23,098	0	0	6,471	125,631
Restricted Asset - Equity in Pooled Cash and Cash Equivalents	58,440	0	0	0	0	58,440
Payment In Lieu of Taxes Receivable	22,396	0	0	11,239	0	33,635
Property Taxes Receivable	8,075,258	0	2,512,375	1,905,088	333,443	12,826,164
<b>Total Assets</b>	<b>\$24,950,281</b>	<b>\$1,745,684</b>	<b>\$2,512,375</b>	<b>\$5,004,848</b>	<b>\$11,053,287</b>	<b>\$45,266,475</b>
<b>Liabilities</b>						
Accounts Payable	\$11,141	\$6,227	\$0	\$0	\$11,784	\$29,152
Contracts Payable	0	0	0	0	16,983	16,983
Accrued Wages and Benefits Payable	1,045,579	59,824	0	0	106,315	1,211,718
Matured Compensated Absences Payable	389	0	0	0	0	389
Intergovernmental Payable	161,964	11,362	0	0	25,863	199,189
Interfund Payable	0	0	0	0	175,612	175,612
Retainage Payable	0	0	0	0	30,095	30,095
<b>Total Liabilities</b>	<b>1,219,073</b>	<b>77,413</b>	<b>0</b>	<b>0</b>	<b>366,652</b>	<b>1,663,138</b>
<b>Deferred Inflows of Resources</b>						
Property Taxes	4,969,648	0	2,506,385	11,239	333,443	7,820,715
Unavailable Revenue	849,111	220,251	5,990	532,912	1,529,163	3,137,427
<b>Total Deferred Inflows of Resources</b>	<b>5,818,759</b>	<b>220,251</b>	<b>2,512,375</b>	<b>544,151</b>	<b>1,862,606</b>	<b>10,958,142</b>
<b>Fund Balances</b>						
Nonspendable:						
Inventories	51,954	0	0	0	6,954	58,908
Prepaid Items	96,062	23,098	0	0	6,471	125,631
Unclaimed Monies	12,874	0	0	0	0	12,874
Restricted for:						
Budget Stabilization	45,566	0	0	0	0	45,566
Adult Education	0	1,424,922	0	0	0	1,424,922
Classroom Facilities Maintenance	0	0	0	0	3,020,611	3,020,611
State Grant Expenditures	0	0	0	0	161,534	161,534
Capital Improvements	0	0	0	4,460,697	1,277,037	5,737,734
Committed to:						
Encumbrances	0	0	0	0	0	0
Capital Improvements	0	0	0	0	4,353,899	4,353,899
Budget Stabilization	128,102	0	0	0	0	128,102
Severance Payments	500,667	0	0	0	0	500,667
Scholarships	0	0	0	0	74,569	74,569
Assigned to:						
Purchases on Order	132,247	0	0	0	0	132,247
Other Purposes	27,601	0	0	0	0	27,601
Unassigned (Deficit)	16,917,376	0	0	0	(77,046)	16,840,330
<b>Total Fund Balances</b>	<b>17,912,449</b>	<b>1,448,020</b>	<b>0</b>	<b>4,460,697</b>	<b>8,824,029</b>	<b>32,645,195</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$24,950,281</b>	<b>\$1,745,684</b>	<b>\$2,512,375</b>	<b>\$5,004,848</b>	<b>\$11,053,287</b>	<b>\$45,266,475</b>

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
 Reconciliation of Total Governmental Fund Balances  
 to Net Position of Governmental Activities  
 June 30, 2016

<b>Total Governmental Fund Balances</b>		\$32,645,195
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		50,660,587
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Property Taxes	1,357,798	
Interest	21,901	
Accounts	230,260	
Grants	<u>1,527,468</u>	3,137,427
Vacation benefits payable include amounts not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(129,571)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(31,393)
The net pension liability is not due and payable in the current period and therefore the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	2,322,546	
Deferred Inflows - Pension	(2,265,526)	
Net Pension Liability	<u>(23,764,618)</u>	(23,707,598)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Capital Leases Payable	(55,729)	
Certificates of Participation	(9,100,000)	
Premium on Certificates of Participation	(176,428)	
Compensated Absences	<u>(774,819)</u>	(10,106,976)
Net Position of Governmental Activities		<u><u>\$52,467,671</u></u>

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2016

	General	Adult Education	Bond Retirement	Permanent Improvement Levy	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$7,325,601	\$0	\$2,508,581	\$1,310,315	\$666,886	\$11,811,383
Payment in Lieu of Taxes	36,421	0	0	160	0	36,581
Intergovernmental	8,106,481	476,126	0	463,922	2,312,410	11,358,939
Interest	227,646	16,990	0	35,978	47,351	327,965
Tuition and Fees	245,349	2,344,762	0	0	0	2,590,111
Rent	1,500	0	0	0	0	1,500
Gifts and Donations	1,100	0	0	0	0	1,100
Charges for Services	169,306	0	0	0	163,505	332,811
Miscellaneous	37,780	0	0	0	0	37,780
Total Revenues	<u>16,151,184</u>	<u>2,837,878</u>	<u>2,508,581</u>	<u>1,810,375</u>	<u>3,190,152</u>	<u>26,498,170</u>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	2,051,379	0	0	0	58,136	2,109,515
Vocational	5,831,042	0	0	0	1,033,576	6,864,618
Adult/Continuing	542	2,160,022	0	0	216,390	2,376,954
Support Services:						
Pupils	947,973	0	0	0	208,661	1,156,634
Instructional Staff	466,776	373,078	0	0	241,807	1,081,661
Board of Education	71,211	0	0	0	0	71,211
Administration	1,387,451	0	0	0	142,805	1,530,256
Fiscal	640,286	72,883	0	110,335	0	823,504
Business	260,219	0	0	0	0	260,219
Operation and Maintenance of Plant	1,195,690	0	0	1,271,686	191,174	2,658,550
Pupil Transportation	79,400	0	0	0	0	79,400
Central	154,897	0	0	0	0	154,897
Operation of Non-Instructional Services:						
Food Service Operations	0	0	0	0	483,494	483,494
Other Non-Instructional Services	177	0	0	0	2,109	2,286
Extracurricular Activities	109,907	0	0	0	90,967	200,874
Capital Outlay	22,750	0	0	866,321	0	889,071
Debt Service:						
Principal Retirement	14,904	0	2,085,000	0	0	2,099,904
Interest and Fiscal Charges	4,714	0	423,581	0	0	428,295
Total Expenditures	<u>13,239,318</u>	<u>2,605,983</u>	<u>2,508,581</u>	<u>2,248,342</u>	<u>2,669,119</u>	<u>23,271,343</u>
Excess of Revenues Over (Under) Expenditures	<u>2,911,866</u>	<u>231,895</u>	<u>0</u>	<u>(437,967)</u>	<u>521,033</u>	<u>3,226,827</u>
<b>Other Financing Sources (Use)</b>						
Transfers In	0	0	0	0	1,060,000	1,060,000
Proceeds from Sale of Capital Assets	837	0	0	0	0	837
Inception of Capital Lease	17,750	0	0	0	0	17,750
Transfers Out	(1,060,000)	0	0	0	0	(1,060,000)
Total Other Financing Sources (Use)	<u>(1,041,413)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,060,000</u>	<u>18,587</u>
Net Change in Fund Balances	1,870,453	231,895	0	(437,967)	1,581,033	3,245,414
Fund Balances Beginning of Year	<u>16,041,996</u>	<u>1,216,125</u>	<u>0</u>	<u>4,898,664</u>	<u>7,242,996</u>	<u>29,399,781</u>
Fund Balances End of Year	<u>\$17,912,449</u>	<u>\$1,448,020</u>	<u>\$0</u>	<u>\$4,460,697</u>	<u>\$8,824,029</u>	<u>\$32,645,195</u>

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
 Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$3,245,414

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

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

Capital Asset Additions	1,351,135	
Current Year Depreciation	<u>(1,361,539)</u>	(10,404)

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

Proceeds from Sale of Capital Assets	(837)	
Loss on Disposal of Assets	<u>(17,473)</u>	(18,310)

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

Property Taxes	(308,182)	
Interest	1,074	
Tuition and Fees	179,793	
Charges for Services	3,256	
Grants	447,856	
Instructional Staff	<u>(16,619)</u>	307,178

Inception of a capital lease is reported as an other financing source in the governmental funds, but the inception increases long-term liabilities on the statement of net position.

(17,750)

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

Capital Leases	14,904	
Certificates of Participation	<u>2,085,000</u>	2,099,904

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

Accrued Interest	5,458	
Amortization of Premiums	<u>50,408</u>	55,866

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

1,368,750

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

(970,723)

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

Compensated Absences	(82,156)	
Vacation Benefits	<u>369</u>	<u>(81,787)</u>

Change in Net Position of Governmental Activities

\$5,978,138

See accompanying notes to the basic financial statements



Mid-East Career and Technology Centers, Ohio  
Statement of Revenues, Expenditures, and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$5,762,703	\$5,962,703	\$6,930,924	\$968,221
Payment in Lieu of Taxes	40,000	40,000	36,421	(3,579)
Intergovernmental	8,833,637	8,833,637	8,109,584	(724,053)
Interest	125,000	125,000	140,792	15,792
Tuition and Fees	243,529	286,729	250,774	(35,955)
Rentals	500	500	2,406	1,906
Gifts and Donations	0	1,100	1,100	0
Charges for Services	175,900	165,100	165,095	(5)
Miscellaneous	99,400	101,920	36,353	(65,567)
<b>Total Revenues</b>	15,280,669	15,516,689	15,673,449	156,760
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,028,504	2,037,122	2,045,750	(8,628)
Vocational	6,437,955	6,065,549	5,851,315	214,234
Adult/Continuing	0	2,109	2,132	(23)
Support Services:				
Pupils	991,152	993,917	927,942	65,975
Instructional Staff	511,644	518,015	481,558	36,457
Board of Education	118,423	127,423	86,244	41,179
Administration	1,416,104	1,435,004	1,351,330	83,674
Fiscal	646,335	661,804	646,430	15,374
Business	256,338	256,572	270,718	(14,146)
Operation and Maintenance of Plant	1,365,345	1,373,582	1,223,130	150,452
Pupil Transportation	94,762	98,762	103,289	(4,527)
Central	138,361	138,361	156,760	(18,399)
Operation of Non-Instructional/Shared Services	0	1,469	469	1,000
Extracurricular Activities	114,462	115,696	113,780	1,916
Capital Outlay	0	300,000	5,000	295,000
Debt Service:				
Principal Retirement	14,904	14,904	14,904	0
Interest and Fiscal Charges	4,714	4,714	4,714	0
<b>Total Expenditures</b>	14,139,003	14,145,003	13,285,465	859,538
Excess of Revenues Over Expenditures	1,141,666	1,371,686	2,387,984	1,016,298
<b>Other Financing Sources (Use)</b>				
Proceeds from Sale of Capital Assets	15,000	8,980	837	(8,143)
Transfers In	40,000	444,000	0	(444,000)
Transfers Out	(690,000)	(1,594,000)	(1,060,000)	534,000
<b>Total Other Financing Sources (Use)</b>	(635,000)	(1,141,020)	(1,059,163)	81,857
Net Change in Fund Balance	506,666	230,666	1,328,821	1,098,155
Fund Balance Beginning of Year	14,972,055	14,972,055	14,972,055	0
Prior Year Encumbrances Appropriated	107,760	107,760	107,760	0
<b>Fund Balance End of Year</b>	\$15,586,481	\$15,310,481	\$16,408,636	\$1,098,155

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Statement of Revenues, Expenditures, and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Adult Education Special Revenue Fund  
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$349,998	\$458,891	\$476,126	\$17,235
Interest	0	18,000	10,418	(7,582)
Tuition and Fees	3,209,102	2,757,280	2,347,547	(409,733)
Customer Sales and Services	0	189,050	0	(189,050)
	<hr/>			
Total Revenues	3,559,100	3,423,221	2,834,091	(589,130)
<hr/>				
<b>Expenditures</b>				
Current:				
Instruction:				
Adult/Continuing	2,832,077	2,838,430	2,186,891	651,539
Support Services:				
Instructional Staff	412,446	412,446	374,630	37,816
Fiscal	105,840	105,840	76,378	29,462
	<hr/>			
Total Expenditures	3,350,363	3,356,716	2,637,899	718,817
	<hr/>			
Excess of Revenues Over Expenditures	208,737	66,505	196,192	129,687
<b>Other Financing Use</b>				
Transfers Out	(402,236)	(402,236)	0	402,236
	<hr/>			
Net Change in Fund Balance	(193,499)	(335,731)	196,192	531,923
Fund Balance Beginning of Year	1,216,180	1,216,180	1,216,180	0
Prior Year Encumbrances Appropriated	44,700	44,700	44,700	0
	<hr/>			
Fund Balance End of Year	\$1,067,381	\$925,149	\$1,457,072	\$531,923
	<hr/> <hr/>			

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$92,505	\$33,961
Cash and Cash Equivalents in Segregated Accounts	3,873	0
Investments in Segregated Accounts	797,827	0
Total Assets	894,205	\$33,961
<b>Liabilities</b>		
Due to Students	0	\$33,961
Total Liabilities	0	\$33,961
<b>Net Position</b>		
Endowments	35,000	
Held in Trust for Students	859,205	
Total Net Position	\$894,205	

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust
<b>Additions</b>	
Interest	\$7,857
Decrease in Fair Value of Investments	(7,729)
Total Additions	128
<b>Deductions</b>	
Payments for Scholarships	11,066
Change in Net Position	(10,938)
Net Position Beginning of Year	905,143
Net Position End of Year	\$894,205

See accompanying notes to the basic financial statements

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

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

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

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

*Reporting Entity*

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

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

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

Mid-East Career and Technology Centers, Ohio  
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The Center participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA), the Coalition of Rural and Appalachian Schools (CORAS), the Ohio Coalition for Equity and Adequacy of School Funding, and the Metropolitan Educational Technology Association (META), which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Ohio School Benefits Cooperative, which are defined as group insurance purchasing pools. Additional information concerning these organizations is presented in Note 18.

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

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

### ***A. Basis of Presentation***

The Center's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

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

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

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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***B. Fund Accounting***

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

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

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

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

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

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

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

***Fiduciary Fund Types*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into 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 private purpose trust fund accounts for a college scholarship program for nursing 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 pell grants. The Center serves as the fiscal agent for the pell grants in a custodial capacity only.

***C. Measurement Focus***

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

***D. Basis of Accounting***

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

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

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

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



Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Center, deferred outflows of resources are reported on the government-wide Statement of Net Position for pension. The deferred outflows of resources related to pension are explained in Note 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Center, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the Center unavailable revenue includes delinquent property taxes, accrued interest, accounts receivable, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. (See Note 14)

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

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

#### ***E. Cash and Cash Equivalents***

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

During fiscal year 2016, the Center's investments were limited to federal agency securities, stocks, repurchase agreements, negotiable certificates of deposit, money markets, and STAR Ohio. Repurchase agreements are reported at cost. Investments in federal agency securities, negotiable certificates of deposit, and money market mutual accounts are stated at fair value based on quoted market prices. Investments in stock are measured at fair value which is the price the stock could be sold for on the measurement date. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants". The Center measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides and NAV per share that approximates fair value.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Based upon Board policy, the Center distributes interest to the General Fund, the Adult Education, Fox Scholarship, and Food Service Special Revenue Funds, Local Funded Initiatives, Classroom Facilities, Permanent Improvement Levy, and Permanent Improvement Capital Projects Funds, and the Private Purpose Trust Fund. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$227,646, which includes \$107,262 assigned from other Center funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Center are presented on the financial statements as cash equivalents. Investments with an original maturity of greater than three months and not purchased from the cash management pool are presented on the financial statements as cash and cash equivalents and investments in segregated accounts.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which services are consumed.

***G. Inventory***

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

***H. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Center was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year.) Donated fixed assets are recorded at their acquisition values as of the date received. The Center maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Mid-East Career and Technology Centers, Ohio  
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Description	Governmental Activities Estimated Lives
Buildings and Improvements	50 Years
Vehicles	8-10 Years
Machinery, Equipment, Furniture and Fixtures	5-25 Years

***I. Interfund Balances***

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

***J. Compensated Absences***

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

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

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

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

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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***L. Pensions***

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

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

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

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

***N. Interfund Activity***

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

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

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

***O. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents required by State statute to be set aside to create a reserve for budget stabilization and amounts representing unclaimed monies. See Note 20 for additional information regarding set asides.

***P. Fund Balance***

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

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

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

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

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

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

***Q. Net Position***

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

***R. 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.

***S. Estimates***

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

***T. Budgetary Data***

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 Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

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

**Note 3 - Change in Accounting Principles**

For fiscal year 2016, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 79, "Certain External Investment Pools and Pool Participants", and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73".

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the Center's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the Center's financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The Center participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The Center incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Center's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 4 - Accountability**

At June 30, 2016, the Vocational Education Federal Grant Special Revenue Fund had a deficit fund balance in the amount of \$72,540. This deficit is the result of the recognition of payables in accordance with generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Mid-East Career and Technology Centers, Ohio  
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3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Unrecorded cash and changes in fair market value represent amounts received or adjusted to revenue but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

Net Change in Fund Balance

	General	Adult Education
GAAP Basis	\$1,870,453	\$231,895
Net Adjustment for Revenue Accruals	(492,387)	1,551
Unrecorded Cash - Prior Year	1,509	105
Unrecorded Cash - Current Year	2,506	188
Change in Market Value of Investments - Prior Year	3,232	225
Change in Market Value of Investments - Current Year	(77,929)	(5,856)
Prepaid Items - Prior Year	85,049	20,888
Prepaid Items - Current Year	(96,062)	(23,098)
Net Adjustment for Expenditure Accruals	281,198	8,420
Advances In	67,584	0
Advances Out	(175,612)	0
Encumbrances	(140,720)	(38,126)
Budget Basis	\$1,328,821	\$196,192

**Note 6 - Deposits and Investments**

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

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

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



Mid-East Career and Technology Centers, Ohio  
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For the Fiscal Year Ended June 30, 2016

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) and (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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. Investments may only be made through specified dealers and institutions.

**Deposits:** Custodial credit risk for deposits 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. At year end, \$808,916 of the Center's bank balance of \$9,728,322 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

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The Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Center or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledge to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments:** As of June 30, 2016, the Center had the following investments:

Measurement/Investment	Measurement Amount	Maturity	S&P/ Moody's Rating	Percent of Total Investments
Cost				
Repurchase Agreement	\$365	1 day	N/A	0.01%
Fair Value				
Money Market Funds	477,643	N/A	N/A	2.25%
Federal Home Loan Mortgage Corporation	2,178,706	09/08/2017-05/26/2021	AA+/Aaa	10.25%
Federal National Mortgage Association	4,556,387	08/26/2016-02/26/2021	AA+/Aaa	21.43%
Federal Home Loan Bank	3,102,749	07/06/2016-08/26/2019	AA+/Aaa	14.59%
Federal Farm Credit	4,352,943	02/22/2017-08/04/2020	AA+/Aaa	20.47%
Negotiable Certificates of Deposit	5,797,052	10/17/2016-4/15/2020	N/A	27.25%
Massachusetts Investors Trust - Domestic Conservative Stock	797,827	N/A	N/A	3.75%
Net Value Per Share				
STAR Ohio	138,834	Average 48.6 days	AAAm	N/A
Total	<u>\$21,402,506</u>			

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the Center's recurring fair value measurements as of June 30, 2016. All of the Center's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

#### Interest Rate Risk

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

#### Credit Risk

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

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Concentration of Credit Risk

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

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the Center. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2014, were levied after April 1, 2015, and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Mid-East Career and Technology Centers. The County Auditors periodically advance to the Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources for property taxes not levied to finance current year operations.

The amount available as an advance, and recognized as revenue at June 30, 2016, was \$2,306,788 in the General Fund and \$1,374,498 in the Permanent Improvement Levy Capital Projects Fund. The amount available as an advance at June 30, 2015, was \$1,915,021 in the General Fund and \$1,121,329 was available in the Permanent Improvement Levy Capital Projects Fund.

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

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The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$2,662,789,502	84.25%	\$2,915,718,140	82.53%
Public Utility Personal	497,887,030	15.75%	617,181,690	17.47%
Total	<u>\$3,160,676,532</u>	<u>100.00%</u>	<u>\$3,532,899,830</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$4.60		\$4.60	

**Note 8 - Receivables**

Receivables at June 30, 2016, consisted of property taxes, payment in lieu of taxes, accounts, intergovernmental grants, accrued interest, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and the classroom facilities grant, are expected to be collected within one year. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$1,357,798 may not be collected within one year. The portion of the State Classroom Facilities grant totaling \$916,997 that will be paid to the Center through the Ohio School Facilities Commission for future construction will not be collected within one year.

On October 1, 2009, the Center was awarded \$22,712,695 for renovations to buildings on two campuses under the State's "Classroom Facilities Program". Under this program, the Center entered into an agreement with the State of Ohio in which the State would pay for a portion of the estimated project costs. As part of the process, the Center maintains a fund into which a set amount of proceeds from a levy is receipted for facilities maintenance. On December 23, 2010, an amendment to this project was approved in the amount of \$3,233,631 due to a reassessment of the budget for the project. As of the end of the fiscal year 2016, the Center had received \$25,029,329 of the monies awarded under this program. The remaining amount of \$916,997 is recorded as a receivable and unavailable revenue on the balance sheet.

A summary of principal items of intergovernmental receivables follows:

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	Amounts
<b>Governmental Activities:</b>	
ABLE Grant	\$97,561
Carl D. Perkins Secondary Grant	95,150
Carl D. Perkins Adult Grant	54,674
TIF Grants	52,850
Title II-A	655
Straight A Grant	648,750
High Schools That Work Grant	860
Ohio School Facilities Grant	916,997
Food Service Reimbursements	2,433
Foundation Adjustments	5,013
Miscellaneous Intergovernmental Receivables	2,676
Total	\$1,877,619

**Note 9 - Interfund Balances**

At June 30, 2016, the General Fund reflected an interfund receivable in the amount of \$175,612 which was from the Vocational Education Federal Grant and the Miscellaneous Federal Grants Special Revenue Funds in the amounts of \$103,954 and \$71,658, respectively, on the governmental fund Balance Sheet. These transactions are the result of interfund loans used to provide cash flow resources until the receipt of grant monies.

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<b>Nondepreciable Capital Assets</b>				
Land	\$333,075	\$5,000	\$0	\$338,075
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	55,884,840	899,670	0	56,784,510
Vehicles	806,699	173,636	(8,000)	972,335
Machinery, Equipment, Furniture and Fixtures	2,879,018	272,829	(102,096)	3,049,751
Total Capital Assets Being Depreciated	59,570,557	1,346,135	(110,096)	60,806,596
Less Accumulated Depreciation:				
Buildings and Improvements	(7,169,163)	(1,120,850)	0	(8,290,013)
Vehicles	(470,908)	(67,639)	8,000	(530,547)
Machinery, Equipment, Furniture and Fixtures	(1,574,260)	(173,050)	83,786	(1,663,524)
Total Accumulated Depreciation	(9,214,331)	(1,361,539) *	91,786	(10,484,084)
Total Capital Assets Being Depreciated, Net	50,356,226	(15,404)	(18,310)	50,322,512
Governmental Activities Capital Assets, Net	\$50,689,301	(\$10,404)	(\$18,310)	\$50,660,587

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

Instruction:	
Regular	\$176,895
Vocational	559,877
Adult/Continuing	125,699
Support Services:	
Pupils	81,188
Instructional Staff	69,640
Board of Education	2,476
Administration	110,588
Fiscal	28,144
Business	17,415
Operation and Maintenance of Plant	82,687
Pupil Transportation	39,830
Central	29,802
Non-Instructional Services - Food Service Operations	28,160
Extracurricular Activities	9,138
Total Governmental Depreciation	\$1,361,539

**Note 11 - Interfund Transfers**

Interfund transfers for the year ended June 30, 2016 consisted of the following:

Transfer From	Transfer To Other Governmental Funds
Major Fund:	
General Fund	\$1,060,000

The Center transferred \$1,000,000 from the General Fund to the Permanent Improvement Capital Projects Fund in order to maintain a working balance in this fund. The Center also transferred \$60,000 from the General Fund to the Food Service Special Revenue Fund to provide additional funding to support of the operations of the Center's cafeterias.

**Note 12 - 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 2016, the Center contracted with Utica National Insurance Group, through The Young Insurance Agency. Coverage is as follows:

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Commercial Property	\$55,436,977	\$5,000 deductible
Commercial General Liability:		
Per Occurrence	1,000,000	\$1,000 deductible
Aggregate Per Year	3,000,000	\$1,000 deductible
Commercial Crime Per Occurrence	100,000	\$500 deductible
Commercial Inland Marine		
Builders' Risk	1,050,000	\$1,000 deductible
Miscellaneous Floater Coverage	804,065	\$5,000 deductible
Commercial Auto		
Liability	1,000,000	\$1,000 deductible
Medical Expense	5,000	\$500 deductible
Comprehensive	Actual Cash Value	\$1,000 deductible
Collision	Actual Cash Value	\$1,000 deductible
Commercial Liability Umbrella		
Per Occurrence	3,000,000	\$1,000 deductible

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

***B. Workers' Compensation***

For fiscal year 2016, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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 participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice provides administrative, cost control, and actuarial services to the GRP.

**Note 13 - Other Employee Benefits**

***A. Compensated Absences***

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

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***B. Insurance***

The Center provides health insurance benefits through the Ohio School Benefits Cooperative, an insurance purchasing pool (see Note 18). The costs of health insurance premiums are \$1,784.66 for family coverage and \$712.73 for single coverage. The employees are responsible to pay \$267.70 for family coverage and \$106.91 for single coverage. The board pays the remainder of the monthly premium.

The Center provides life insurance and accidental death and dismemberment insurance to employees through Lincoln Financial Company in the amount of \$45,000 for all employees.

The Center provides dental insurance to employees through Coresource, Inc. The costs of dental insurance premiums are \$90.43 for both family and single coverage with the employee share being \$13.56.

**Note 14 - 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.

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.

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



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

Age and service requirements for retirement are as follows:

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

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

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

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.

**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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The Center's contractually required contribution to SERS was \$336,537 for fiscal year 2016. Of this amount \$22,537 is reported as an intergovernmental payable.

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***Plan Description - State Teachers Retirement System (STRS)***

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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.

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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 the fiscal year ended June 30, 2016, plan members are required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The Center's contractually required contribution to STRS was \$1,032,213 for fiscal year 2016. Of this amount, \$127,227 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.07917300%	0.07276065%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.07701230%</u>	<u>0.07008781%</u>	
Change in Proportionate Share	<u>-0.00216070%</u>	<u>-0.00267284%</u>	
Proportionate Share of the Net Pension Liability	\$4,394,397	\$19,370,221	\$23,764,618
Pension Expense	\$246,669	\$724,054	\$970,723

At June 30, 2016, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$70,758	\$883,038	\$953,796
Center contributions subsequent to the measurement date	<u>336,537</u>	<u>1,032,213</u>	<u>1,368,750</u>
Total Deferred Outflows of Resources	<u>\$407,295</u>	<u>\$1,915,251</u>	<u>\$2,322,546</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$145,601	\$1,393,085	\$1,538,686
Changes in proportionate share and difference between Center contributions and proportionate share of contributions	<u>99,762</u>	<u>627,078</u>	<u>726,840</u>
Total Deferred Inflows of Resources	<u>\$245,363</u>	<u>\$2,020,163</u>	<u>\$2,265,526</u>

\$1,368,750 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	(\$84,749)	(\$471,142)	(\$555,891)
2018	(84,749)	(471,142)	(555,891)
2019	(85,084)	(471,142)	(556,226)
2020	<u>79,977</u>	<u>276,301</u>	<u>356,278</u>
Total	<u>(\$174,605)</u>	<u>(\$1,137,125)</u>	<u>(\$1,311,730)</u>

**Actuarial Assumptions - SERS**

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

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

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.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 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.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
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***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 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$6,093,449	\$4,394,397	\$2,963,654

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	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 paid on fifth anniversary of retirement date.

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 not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops best estimates 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	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
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**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**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 7.75 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	\$26,906,698	\$19,370,221	\$12,997,006

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2016 there are fifteen employees who have elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 15 - Postemployment Benefits**

**A. School Employees Retirement System**

**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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. 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 2016, the Center's surcharge obligation was \$26,675.

The Center's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014, were \$0, \$41,781, and \$39,151, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

***B. State Teachers Retirement System***

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio 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 Ohio. 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. For fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The Center's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014, were \$0, \$0, and \$75,911, respectively. The full amount been contributed for fiscal years 2016, 2015, and 2014.



Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**Note 16 - Capital Leases**

In fiscal year 2013, the Center entered into a capitalized lease for a mailing machine in the amount of \$13,143. In fiscal year 2015, the Center entered into a capitalized lease for three copiers. In fiscal year 2016, the Center entered into a capitalized lease for a copier in the amount of \$17,750. Each lease meets the criteria of a capital lease which is defined as transferring benefits and risks of ownership to the lessee. Capital lease payments have been reclassified from business support services expenditures in the budgetary statements to principal debt service expenditures in the basic financial statements for the General Fund.

Actual principal payments in fiscal year 2016 totaled \$14,904. The equipment was originally capitalized in the amount of \$92,124, the present value of the minimum lease payments at the inception of the leases. The accumulated depreciation as of June 30, 2016 was \$19,278, and the book value was \$72,846.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2016:

Fiscal Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$16,715	\$4,061	\$20,776
2018	15,567	2,697	18,264
2019	15,969	1,457	17,426
2020	6,344	411	6,755
2021	1,134	21	1,155
Present Value of Net Minimum Lease Payments	\$55,729	\$8,647	\$64,376

**Note 17 - Long-Term Obligations**

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

	Principal Outstanding 06/30/15	Additions	Reductions	Principal Outstanding 06/30/16	Amounts Due within One Year
<b>Governmental Activities:</b>					
Capital Leases Payable	\$52,883	\$17,750	(\$14,904)	\$55,729	\$16,715
Certificates of Participation - \$11,965,000, Various Interest Rate	11,185,000	0	(2,085,000)	9,100,000	2,155,000
Premium on Certificates of Participation	226,836	0	(50,408)	176,428	0
Total Certificates of Participation Liability	11,411,836	0	(2,135,408)	9,276,428	2,155,000
Net Pension Liability -					
STRS	17,697,908	1,672,313	0	19,370,221	0
SERS	4,006,901	387,496	0	4,394,397	0
Total Net Pension Liability	21,704,809	2,059,809	0	23,764,618	0
Compensated Absences	692,663	84,895	(2,739)	774,819	90,622
Total Governmental Activities Long-Term Liabilities	\$33,862,191	\$2,162,454	(\$2,153,051)	\$33,871,594	\$2,262,337

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

Annual base rent requirements to retire the certificates of participation outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$2,155,000	\$357,375	\$2,512,375
2018	2,220,000	280,650	2,500,650
2019	2,305,000	178,625	2,483,625
2020	2,420,000	60,500	2,480,500
Totals	\$9,100,000	\$877,150	\$9,977,150

The Center pays obligations related to employee compensation from the fund benefitting from their service. For more information on the net pension liability, see Note 14.

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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The overall debt margin of the Center as of June 30, 2016, was \$317,905,256, with an unvoted debt margin of \$35,273,269.

**Note 18 - Jointly Governed Organizations and Insurance Purchasing Pool**

**A. Jointly Governed Organizations**

The *Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA)* was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a board comprised of a representative from each participating school district. The Board exercises total control over the operation of OME-RESA including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2016, the amount paid to OMERESA from the Center was \$40,722 for technology, internet access, financial accounting services, and educational management information. The Jefferson County Education Service Center serves as fiscal agent. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

The *Coalition of Rural and Appalachian Schools (CORAS)* is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of no more than nineteen members not including ex-officio members. The Board shall include the Dean of the College of Education, and two additional members from Ohio University appointed by the Dean. There shall be one elected member from each of the eight multi-county regions. The eight elected members shall appoint eight additional members, one from each multi-county region. A County Region must have a minimum of five active public school district members to qualify for an elected and an appointed member on the Board. Elected and appointed members, other than those representing Ohio University, must be active school superintendents from a member school district. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the Center and the Center does not maintain an equity interest in or financial responsibility for the Council. The Council exercises total control over the operation of CORAS including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. The Center's membership fee was \$325 for fiscal year 2016. To obtain financial information write to the Coalition of Rural and Appalachian Schools, Mike Shoemaker, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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The *Ohio Coalition for Equity and Adequacy of School Funding* is a regional council of government established in January 1991. The purpose of the Coalition is to bring about greater equity and adequacy of public school funding in Ohio. The Coalition is governed by a steering committee consisting of representatives from the membership group. The steering committee consists of not more than 78 representatives, who are Superintendents of Boards of Education that are Coalition members, plus an additional 12 representatives that need not be Board of Education Superintendents. Each participant's control is limited to its representation on the committee. The steering committee exercises total control of the operation of the Coalition including budgeting, appropriating, contracting, and designating management. The Center's membership fee was \$514 for fiscal year 2016.

The Center participates in the *Metropolitan Educational Technology Association (META)*, a jointly governed organization created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During fiscal year 2016, the Center made a payment of \$196 to META for services. Financial information may be obtained from Scott Armstrong, CFO, 100 Executive Drive, Marion, Ohio 43302.

***B. Insurance Purchasing Pools***

***Ohio School Boards Association Workers' Compensation Group Rating Plan*** The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), a group insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The Center's enrollment fee was \$2,998 for fiscal year 2016.

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

**Note 19 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2016, if applicable, cannot be determined at this time.

***B. Foundation***

School district foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the Center; therefore, the financial statement impact is not fully determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the Center.

***C. Litigation***

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

**Note 20 - Set-Asides**

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

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

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

Mid-East Career and Technology Centers, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2015	\$0	\$45,566
Current year offsets	(1,000,000)	0
Current year set-aside requirement	174,372	0
Qualifying disbursements	(185,200)	0
Total	(\$1,010,828)	\$45,566
 Set-aside reserve balance as of June 30, 2016	 \$0	 \$45,566

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

**Note 21 - Significant Commitments**

***A. Encumbrances***

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

Governmental Funds	
General Fund	\$140,720
Adult Education Special Revenue Fund	38,126
Permanent Improvement Levy Capital Projects Fund	1,552,299
Other Governmental Funds	170,058
Total All Funds	\$1,901,203

***B. Contractual Commitment***

As of June 30, 2016, the Center had a contractual purchase commitment relating to a local funded project:

Contractor	Purchase Commitment	Amounts Paid as of 06/30/2016	Amounts Remaining on Contract
Davis Architectural Group	\$1,845,765	\$800,661	\$1,045,104

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

	2016	2015	2014
Center's Proportion of the Net Pension Liability	0.07701230%	0.07917300%	0.07917300%
Center's Proportionate Share of the Net Pension Liability	\$4,394,397	\$4,006,901	\$4,708,164
Center's Covered Payroll	\$2,282,214	\$2,478,740	\$2,047,137
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	192.55%	161.65%	229.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

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

	2016	2015	2014
Center's Proportion of the Net Pension Liability	0.07008781%	0.07276065%	0.07276065%
Center's Proportionate Share of the Net Pension Liability	\$19,370,221	\$17,697,908	\$21,081,632
Center's Covered Payroll	\$7,274,393	\$7,396,029	\$7,710,177
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	266.28%	239.29%	273.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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



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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$336,537	\$300,796	\$343,553	\$283,324
Contributions in Relation to the Contractually Required Contribution	<u>(336,537)</u>	<u>(300,796)</u>	<u>(343,553)</u>	<u>(283,324)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Center Covered Payroll	\$2,403,836	\$2,282,214	\$2,478,740	\$2,047,137
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%	13.84%

2012	2011	2010	2009	2008	2007
\$276,366	\$239,902	\$254,282	\$161,871	\$172,571	\$173,549
(276,366)	(239,902)	(254,282)	(161,871)	(172,571)	(173,549)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,054,764	\$1,908,527	\$1,878,005	\$1,645,028	\$1,757,347	\$1,624,991
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,032,213	\$1,018,415	\$961,484	\$1,002,323
Contributions in Relation to the Contractually Required Contribution	<u>(1,032,213)</u>	<u>(1,018,415)</u>	<u>(961,484)</u>	<u>(1,002,323)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Center Covered Payroll	\$7,372,950	\$7,274,393	\$7,396,029	\$7,710,177
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$967,387	\$977,267	\$973,248	\$937,769	\$914,655	\$899,714
(967,387)	(977,267)	(973,248)	(937,769)	(914,655)	(899,714)
\$0	\$0	\$0	\$0	\$0	\$0
\$7,441,438	\$7,517,438	\$7,486,523	\$7,213,608	\$7,035,808	\$6,920,877
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR Pass-Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Receipts</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education:</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555	2015/2016	\$0	\$20,194	\$20,194
Cash Assistance:					
School Breakfast Program	10.553	2015/2016	0	56,418	56,418
National School Lunch Program	10.555	2015/2016	0	201,458	201,458
Cash Assistance Subtotal			<u>0</u>	<u>257,876</u>	<u>257,876</u>
Total Child Nutrition Cluster			0	278,070	278,070
Child Care and Adult Care Food Program	10.558	2015/2016	0	18,975	18,975
Total U.S. Department of Agriculture			<u>0</u>	<u>297,045</u>	<u>297,045</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education:</i>					
Adult Education - Basic Grants to States	84.002	2015 2016	0 0	28,501 196,236	18,529 236,600
Total Adult Education - Basic Grants to States			<u>0</u>	<u>224,737</u>	<u>255,129</u>
Career and Technical Education - Basic Grants to States	84.048	2015 2016	0 0	83,424 537,262	54,212 641,208
Total Career and Technical Education - Basic Grants to States			<u>0</u>	<u>620,686</u>	<u>695,420</u>
Improving Teacher Quality State Grants	84.367	2016	0	1,509	2,164
Teacher Incentive Fund	84.374	2015 2016	0 0	38,140 313,372	9,748 344,014
Total Teacher Incentive Fund			<u>0</u>	<u>351,512</u>	<u>353,762</u>
<i>Direct from United States Department of Education:</i>					
Student Financial Assistance Cluster:					
Federal Pell Grant Program	84.063	2016	0	693,670	693,670
Federal Direct Student Loans	84.268	2016	0	1,231,085	1,231,085
Total Student Financial Assistance Cluster			<u>0</u>	<u>1,924,755</u>	<u>1,924,755</u>
Total U.S. Department of Education			<u>0</u>	<u>3,123,199</u>	<u>3,231,230</u>
<b>Total Receipts and Expenditures of Federal Awards</b>			<b><u>\$0</u></b>	<b><u>\$3,420,244</u></b>	<b><u>\$3,528,275</u></b>

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

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

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
2 CFR PART 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Center under programs of the federal government for the year ended June 30, 2016. 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**

Receipts and 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 fair value. The Center allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.





# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mid-East Career and Technology Centers, Muskingum County, Ohio (the Center) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 13, 2016.

### ***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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 13, 2016



# Dave Yost • Auditor of State

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

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

To the Board of Education:

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

We have audited the Mid-East Career and Technology Center's, Muskingum County, Ohio (the Center), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Center's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the Center's major federal program.

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

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

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

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

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

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

In our opinion, the Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

***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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 13, 2016

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

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR Part 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Program (list): <ul style="list-style-type: none"> <li>• Student Financial Assistance Cluster – CFDA Nos. 84.063 and 84.268</li> </ul>	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR Part 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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# Dave Yost • Auditor of State

**MID-EAST CAREER AND TECHNOLOGY CENTER**

**MUSKINGUM COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 27, 2016**